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WTO and Indian Poultry Sector: Lessons from State Support Measures in Select Countries

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WTO AND INDIAN POULTRY SECTOR

Lessons from State Support Measures in Select Countries *

by
Rajesh Mehta**

In the post-Independent era, India followed the protectionist policy and adopted different instruments. These instruments to a large extent were dictated by the objectives of India's development policies, including protectionist policy. The selection of instruments, adopted for achieving the objectives, can be classified into two broad groups: (i) tariff and (ii) non-tariff measures, sometime known as Quantitative Restrictions (QRs) or Non-Tariff Barriers (NTBs).

Since early 1990s, Indian economy has been constantly undergoing drastic reforms. The main objective of these reforms is to shift from inward-oriented policies of the past to an outward-looking policy by integrating the domestic economy with world economy through deregulation and competition.

In the pre-reform period, India's trade policy regime was complex and cumbersome. There were different types of importers, import licences, ways of importing, etc. Under previous policy regime, import of agriculture and poultry items was subject to licences. These imports were carried out on the recommendation of different departments of Government of India. The protectionist environment that the Indian poultry industry enjoyed for long time has began to dismantle. The Government of India has placed the whole range of poultry products under the category of Open General Licence (OGL), also called the 'Free List', as per decision of Appellate body of WTO. This raises several questions: what are the implications of the removal of QRs to the domestic poultry industry?, what would be the opening of Indian economy for external competition shape the poultry industry?, what kind of the policy measures should be taken so that the industry can integrate to the globalisation process?.

The main objective of this paper is (i) to outline some salient features of Indian poultry industry, (ii) to understand the dismantling of protection regime and (iii) to draw lessons from international experience. The paper is divided into five sections. Section I gives the present state position of Indian poultry industry. Section II summaries the trade policy reforms undertaken by India during nineties, while Section III gives a summary of some issues of

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* The views expressed in this paper are personal, and not necessarily of organisations to which he belongs. This paper draws extensively from my previous writings. An earlier version of this paper was presented at pre-workshop on *WTO and Developing Countries,* Australian Agricultural and Resource Economic Society Annual Conference, Canberra, February 2002.

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India’s commitments in the UR. A brief summary of state support measures of select countries, for poultry sector, is given in Section IV. Section V outlines broad policy recommendations and conclusions.

I. Indian Poultry Industry

I.1 Introduction

Among different activities in the livestock sector, poultry farming is the fastest growing one. What was once started as a novelty in the 1970's - egg and broiler production - has now turned out to be a highly organised agribusiness with an estimated capital investment of Rs.100 bill., contributing Rs.110 bill. to the gross national product (GNP), and employing ground 1.5 million people, mostly in rural areas. In 1999, India produced 34 billion eggs (and ranked fifth in the world), 1,000 million broilers, and about 500,000 tonnes of poultry meat. Table I.1 shows the growth in egg and broiler production during nineties.

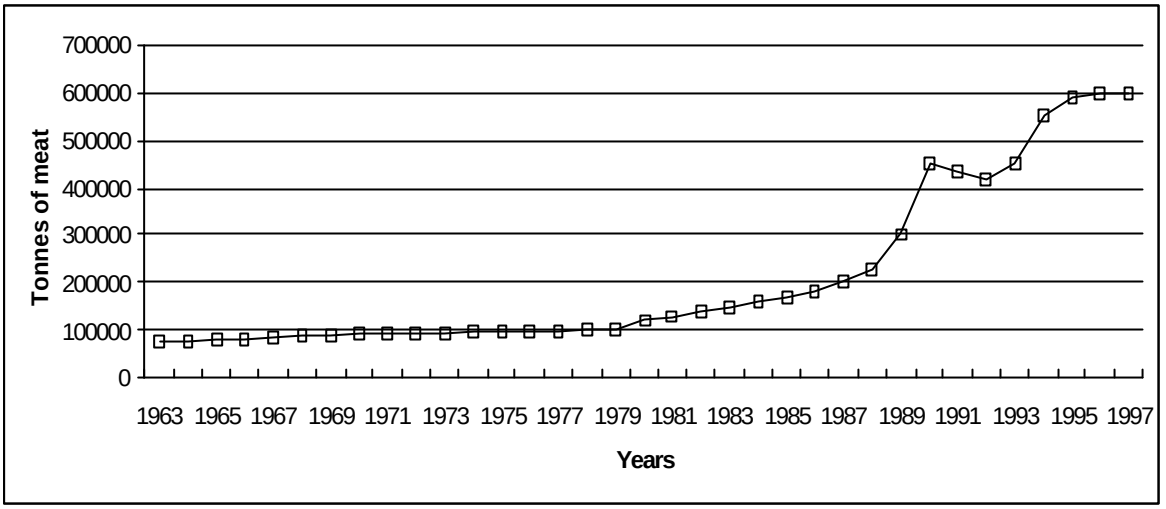
Table I.1: Growth of the Indian Poultry Sector , 1991-1999

	1991	**1999**
Production		
Total Egg Production (million)	22743	34000
Total Layer Population (million)	125	133
Per Capita Egg Consumption (No)	25	36
Per Capita Poultry Meat Consumption (Kg)	-	0.70

Source: *Poultry Times of India*, various issues.

Figure I.1 illustrates the increase in poultry meat production in India from 1963 to 1998 to a volume of nearly 600,000 tonnes in the terminal year. Table I.2 shows that, apart from increases in volume, poultry meat also increased its market share in meat production. Based on volume, poultry has developed from the smallest meat sector in 1977 into the third largest meat-producing sector in 1998, after the leading meat sectors of veal and buffalo.

Figure I.1: Poultry Meat Production in India, 1963-1997



Source: Hofman, P. and E. Kerkwijk, "Integrated Poultry", *Poultry Times of India*, June 1999.

Table I.2: Market shares of various meats in Indian Meat Production, 1978-98 (Percentage share based on Quantity)

	Beef and Veal	Buffalo meat	Mutton Lamb	Goat Meat	Pork Meat	Poultry Meat
1978	34	34	6	12	10	4
1988	33	32	5	13	10	7
1998	31	31	4	10	10	13

Source: Hofman and Kerkwijk, *ibid*.

A peculiar feature of the poultry industry in India is that it is highly fragmented. There are several thousand independent poultry producers. There is little or no promotion of brands either in the egg or chicken meat sector. There are also significant variations in poultry development across regions. The four southern states - Andhra Pradesh, Karnataka, Kerala and Tamil Nadu - account for about 45 per cent of the country's egg production, with a per capita consumption of 57 eggs and 0.5 kg of broiler meat. The eastern and central regions account for about 20 per cent of egg production with a per capita consumption of 18 eggs and 0.13 kg. of broiler meat. The northern and western regions record much higher figures than the eastern and central regions with respect to per capita availability of egg and broiler meat. Table I.3 shows the status of the poultry industry across the states of India.

Table I.3: Egg Production in Indian States, 1998-99			
State	**Production (million nos.)**	**State**	**Production (million nos.)**
Andaman & Nicobar	53.00	Madhya Pradesh	1400.00
Andhra Pradesh	5819.00	Maharashtra	2937.00
Arunachal Pradesh	35.00	Manipur	65.00
Assam	518.00	Meghalaya	58.00
Bihar	1430.00	Mizoram	4.00
Chandigarh	17.00	Nagaland	48.00
Dadra & Nagar Haveli	4.00	Orissa	1022.00
Daman & Diu	4.00	Pondicherry	9.00
Delhi	74.00	Punjab	17.00
Goa	112.00	Rajasthan	525.00
Gujarat	612.00	Sikkim	19.00
Haryana	683.00	Tamil Nadu	3575.00
Himachal Pradesh	76.00	Tripura	58.00
Karnataka	1972.00	Uttar Pradesh	752.00
Kerala	2216.00	West Bengal	2653.00
Lakshadweep	6.00		
Source: G.O.I., Department of Animal Husbandry			

I. 2 **Significance to the National Economy**

The role of poultry in India is very significant than is commonly realized.

First, a notable aspect is that it is an efficient converter of two fibers feed stuff - maize and soyabean - into highly nutritious animal protein feed.

Second, poultry house litter accumulated over a period of 9-12 months is balanced organic fertilizer par excellence, containing 4.8 per cent nitrogen, 2.8 per cent phosphorous, and 2.3 per cent potash. Approximately 40 birds, kept on deep litter for about a year, can produce one tonne of manure[1], which will provide the full fertilizer needs of one hectare of paddy or maize, or two hectares of sorghum, or half a hectare of intensive vegetable cultivation.

Third, recent studies suggest that the poultry sector have an enormous potential to improve the socio-economic status of rural population. Poultry's farming is labour-intensive, requires minimum capital, and ensures quick returns. It thus helps to improve the quality of rural population. Estimates show that it has a potential to create as many as 25000 additional jobs on the consumption of one more egg per head, and 20,000 additional jobs on the consumption of 50 grams of more chicken meat per head. It has thus tremendous potential to create non-farm employment, and check migration from rural to urban areas.

[1] It does not mean that disposal of litter is not a problem, particularly for large-size farmers.

Fourth, apart from the domestic market, India has a great potential to exploit the international market. Owing to the strong agrarian base, India is one of the most economical sites for poultry production. Currently India's share in world production and trade is too small, but in the emerging global trade, the Indian poultry industry has certainly great potential. Table I.4 shows the relative position of India in world production and trade of poultry products.

Table I.4: Status of India's Poultry Industry in World, 1998	
World poultry production[1]	5491600 tonnes
India's poultry production	59500 tonnes
India's share in world production	1 percent
World poultry exports[2]	5750000 tonnes
India's poultry exports[3]	407 tonnes
India's share in world total	0.007 per cent

Notes: 1. Main producing countries: USA (27%), China (21%), EU (15%), Brazil (8%)
2. Main exporting countries: USA (44%), EU (14%), Brazil (10%)
3. Main importing countries: Hong Kong (17%), China (15%)

Source: *Poultry Times of India*, June 1999.

I.3 **National Policy**

In its five-year plans, the Indian government has acknowledged the growing importance of poultry and eggs. In the eighth five-year plan (1992-1997), poultry's farming was highlighted as a growth area, with an expected growth of 18-20 per cent during the plan period. Priority was given to the development of poultry farming on a co-operative basis in order to help small rural farmers in the unorganized sector. In addition, emphasis is being given to the strengthening of infrastructure, training, research, and extension. To ensure easy access to all vital facilities such as inputs, credit, and marketing, a number of poultry estates are being set up in collaboration with agencies such as the National Co-operative Development Corporation (NCDC), National Bank for Agricultural and Rural Development (NABARD), state governments, and non-government institutions. The poultry industry itself has asked for the establishment of a National Poultry Development Board (NPDB) to promote and co-ordinate various activities related to the industry such as creating infrastructure facilities, undertaking centralized procurement and distribution of poultry ingredients, and advertising and other promotional work in India and abroad.

To stimulate investment in the poultry industry, the government has lifted restrictions on investment in the poultry feed sector, and allowed larger investment.[2] The government is also phasing out all import restrictions on poultry products. The subject of this trade liberation is being dealt in detail in next section.

I.4 **Problems faced by the Poultry Industry**

The domestic poultry industry is facing a number of problems in recent years.

First, the industry has been facing a severe shortage of its major feed ingredient, namely maize. Feed cost amounts to nearly 75 per cent of the cost of production of eggs and broilers; and maize constitutes 50 per cent of feed rations. Therefore, even a small increase in the price of ingredients can wipe out the profits. Between 1997/98 and 1998/99, the price of maize has gone up from Rs.4500 ($120) to Rs.7500 ($165) per tonne, an increase of 40 per cent. This steep increase in the price of major feed ingredient has forced thousands of small farmers to suspend or even close down poultry farms.[3] If the growth of the poultry sector is to be sustained at 10% for the layer sector and 15% for broilers, the country needs to push up availability.

Second, poultry being a livestock sector need certain vital infrastructure facilities that can facilitate storage, distribution, marketing, and exports. There is an acute shortage of refrigerated road transport and an efficient cold chain, which makes widespread distribution difficult and expensive. The country does not have a proper testing system; presently issues like pesticide residue, antibiotic residue, and hormonal residues are creating enormous problems while exporting.

Third, though poultry is an integral part of agriculture and treated on par with livestock in India, it faces restrictions on use of agricultural land, attracts higher electricity tariffs and sales tax than that of agriculture, pays tax on income earned from poultry farms, and is subjected to different land/labor laws including the minimum wage act.

While some of the traditional economic problems are still not dissipated, new areas of concern have cropped up. The foremost is the reported move of the government to open up

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2 Earlier poultry feed was restricted for production in the 'small-scale sector'.

3 Maize production in the country has stagnated around 9 to 10 million tonnes for the last ten years. The poultry sector alone requires 5 million tonnes of maize. Industries such as starch require 1.3 million tonnes. The cattle feed industry requires 1.5 million tonnes. The seed sector requires 0.20 million tonnes and human consumption 4.10 million tonnes. Thus the total domestic requirements are 12.1 million tonnes against which domestic production is only 10 million tonnes. The deficit of 2.1 million tonnes has thus to be met by imports.

the domestic poultry sector for import competition. For long, the domestic poultry sector has remained protected because its import was subject to Quantitative Restrictions (QRs). Most of items were imported after obtaining licences. Processed poultry meat preparations and egg products attract currently an effective import duty of 35 per cent basic customs duty[4]. Though the duty has increased in last two years, imports were subject to quantitative restrictions till April 2001.

[4] Chicken cut-ups (HS 020713 and 020714) and some preparations (i.e. HS 160232 and 160239), attract a duty of 100 per cent basic customs duty.

II. Trade Liberalisation and WTO

The main objective of this Section is to observe the changes in the estimates of India's level of protection with respect to the tariff structure and Quantitative Restrictions (QRs) in the 1990s. For the purpose of quantifying the changes in the protection due to import custom duty, the emphasis has been given to the 'nominal rate of protection' measure. The estimates have been carried out by using MFN tariff rates as are announced by the Government of India from time to time. The average values of MFN tariff rates have been worked out for total economy.

In Table II.1 we summarise some select indicators of India's tariff liberalisation for 1993-94 to 2001-2: import weighted average MFN tariff rate, simple average, MFN tariff rate, collection rate and peak rate. One can notice from this table that the average rate of India's MFN custom tariff has been declining since the adoption of the reform process in early 1990s. The average MFN custom duty rate has declined consistently and significantly from the level of more than 80 per cent in early 1990s to 30 per cent in the mid-1990s (Table II.1). However, there has been no significant change in India's average custom tariff rates from 1997-98 onward. The decline in import-weighted average customs rates was almost negligible during 1998-99 and 1999-2000. In fact, the average tariff rate has increased slightly during 2000-01. The tariff changes proposed in the Budget of 2001-2 will lead to a marginal decline in import-weighted average custom tariff rate from 31.1 per cent in 2000-01 to 28.9 per cent in the current financial year. It is likely that the average tariff rate will be more than 28.9 per cent because the tariff rates of some commodities (particularly agricultural products) may be enhanced during the current financial year.

Table II.1: Average MFN Tariff Rates and Peak Tariffs of Indian Economy, 1993-94 to 2001-02

Year	Average MFN Tariff Rate[1]		Collection Rates[3]	Peak Tariff[4]
	Simple Avg.	Import-weighted[2]	Gross	
1993-94	83.00	82.76	31	85
1994-95	61.58	56.65	30.17	65
1995-96	48.83	44.75	29.45	50
1996-97	39.26	32.7	31.32	42
1997-98	35.12	30.91	29.29	45
1998-99	35.25	30.3	22.8	45
1999-00	35.54	29.81	23.67	44
2000-01	34.62	31.15	21.29[5]	38.5
2001-02	32.27	28.92	-	35

Adopted from Goldar, B.N. and R. Mehta (2001), "The Budget and Custom Duties", *Economic and Political Weekly,* pp. 989-991.

1. Based on Basic Custom Duty (BCD) + Special Customs Duty (SCD) or Surcharge of products defined at 6-digit HS level. It does not take into consideration specific exemptions of select products. The rate of SCD was 2% for the year 1996-97, and (2+3=)5% for the years 1997-98 and 1998-99. The surcharge of 10 % percent was imposed during 1999-00 and 2000-01.
2. Import Weights are based on the value of imports (in Rs) during the same year, at 6-digit ITC-HS classification. For 1997-98 to 2001-02, import weights are based on the values of the imports for the year 1996-97.
3. Based on the Value of Custom Revenue (based on all types of duties on import) Collected/Value of total imports, from different volumes of G.O.I., Budget Documents, and DGCIS.
4. Excluding some products, whose custom duty is in the range of "Mega-tariff".
5. Based on Revised Estimate in Budget document, and assuming increase in total imports of 14.2% during 2000-01.

Note: In some select products, the import custom duties is defined in the form of specific duties, we have tried to convert these specific duties into ad valorem equivalence using appropriate method.

Sources of data*:*

(i) G.O.I., D.G.C.I.&S, *Monthly Statistics of Foreign Trade of India*, Vol. II (imports), various issues.

(ii) G.O.I., *Custom Tariff of India*, various issues.

(iii) G.O.I., *Budget Documents*, various issues.

There has also been a decline in the *peak tariff*[5] of Indian custom duty rates in the early and mid-1990s. It declined significantly from more than 100 per cent during early-1990s to around 42 per cent in 1996-97. However, there has been no significant change in the peak tariff rates during the last four years as well as in the proposals made in the current Budget of 2001-2. Going by these trends, it seems that India will have to accelerate its process of tariff liberalisation so that it reaches the peak tariff of 20 per cent in next three years, as announced in the Budget of 2001-02. To bring the level of India's custom tariff to that of East Asian countries, and keeping in view the long run objectives, a medium-term strategy needs to be worked out. East Asian economies have been reducing their tariff rates significantly. The average MFN rate of select countries of ASEAN[6] was around zero per cent (during 2000) for Singapore, 11.2 per cent (1999) for Indonesia, 10.2 per cent (1999) for Malaysia, 10.00 per

[5] Not for some commodities like beverages, and select agriculture commodities which have mega tariff.

cent (1999) for the Philippines, and 16.94 per cent (1999) for Thailand. It is expected that the tariff rates of these countries will come down further in the next three years.

The custom tariffs will become the crucial trade policy instrument after the removal of Indian QR regime. The present Budget proposal also acknowledges this fact. The following paragraphs summarise the present state of India's position on QRs for imports.

In the pre-reform period, India's trade policy was complex and cumbersome. There were different types of import licences, alternate ways of importing, different categories of importers, etc. Imports of almost all commodities and goods, except especially permitted (sometime called commodities under Open General Licence), were restricted and they could be imported against a licence. The items that can be imported under the open general licences are sometimes called 'Free'. In the pre-reform period, the total number of goods and commodities, falling under open general licence category was less than 10 per cent of all commodities/lines.

In the post-reform period, the coverage of open general licence has been enhanced. Table II.2 gives the number of items/lines that have been categorised under open general licence or 'Free' from 1995-96 to 2001-02. One can notice from this table that India has been consistently removing its QRs for last couple of years. Although dismantling of the QRs was started by India on unilateral basis during mid 1990s, most of the QR removals during 1997-2001 were due to dispute settlement proceedings of the WTO[7]. In this context, it should be remembered that though reduction in tariff rates was started in early 1990s on unilateral basis, there has been no significant decline in India's applied rates after their levels were brought close to the bound levels for industrial products.

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6 Indonesia, Malaysia, the Philippines, Singapore and Thailand.

7 For details, see Mehta, R. (2001), *WTO, Liberalisation and Industrial Sector: The Case of Market Access,* RIS Occasional Paper No. 63, July 2001; and WTO, India-Quantitative Restrictions on Imports of Agricultural, Textile and Industrial Products: Agreement under Article 21.3 (b) of the DSU, WT/DS90/15, Jan. 17, 2000.

Table II.2: India's Imports Subject to QRs, 1995-2001

Year	Number of Lines, which are Free (as % of total number of lines*)
Apr.1995	56.00
Apr.1997	65.80
Apr.1998	70.20
Apr.2000	86.41
Apr.2001	94.37

* At 8 or 10-digit HS level.

Sources of data:

(i) Mehta, R. (1997), 'Trade Policy Reforms, 1991-92 to 1995-96: Their Impact on External Trade', *Economic and Political Weekly*, April 1997, pp.779-784.

(ii) Mehta, R. (1999), *Tariff and Non-Tariff Barriers of Indian Economy: A Profile*, RIS.

(iii) Mehta, R. (2000), "Removal of QRs and Impact on India's Import", *Economic and Political Weekly*, Vol.XXXV, No.19, May 2000.

(iv) Goldar, B.N. and Mehta, R. (2001), "The Budget and Customs Duties", *Economic and Political Weekly*, Vol.XXXVI, No.12, March 2001.

II.1. **Tariff Rates of Poultry Products**

The tariff rates of different products of the poultry sector for the recent financial years 1999/2000, 2000/1 and 2001/2 are given in Table II.3. In 1999/2000, the range of tariff rates was 15 per cent (of meat and edible offal) to 40 per cent (of live poultry and food preparations of poultry products). During the same financial year, tariff rate of 'maize for use for poultry feed' was 0 per cent, which was increased to 70 per cent in the budget proposals of 2000/1. However, the tariff rate has been declined to 15 per cent, with the adoption of Tariff-Quota Regime. All other products of the poultry sector attracted tariff rate of 35 per cent[8] during last two years because the QRs of these items were removed. The import policy of 2000/1 and 2001/2, has already removed QRs on all poultry products. Most of these products were 'restricted items' before 1999/2000.

After the removal of QRs of these items, tariff rates will be the most important instrument in India's import policy. In the budget proposals for 2000/1, the government had announced 35 per cent tariff rate for items of the poultry sector (and items of other sectors) whose QR is removed. It is very difficult to understand that the tariff-equivalence of QRs for all the items is 35 per cent, if the government wants to keep the same level of protection[9]. It seems that the government considered this situation and revised the tariff rate from the level of 35 per cent

[8] Except for four tariff lines, whose tariff rate is 100 per cent see Table II.3 for details.

[9] It has been noticed that the tariff-equivalence of a large number of items of poultry products is significantly higher than 35 per cent.

to 100 per cent for two commodities of the poultry sector:[10] HS 1601.00 (sausages and similar products of meat, meat offal, food preparations based on these products) and HS 1602.32 (other prepared or preserved meat of fowls of species; of poultry products). This leaves us to conclude that either (i) the government believes that the tariff-equivalence of most of poultry products is close to 35 per cent, or (ii) the government wants to import the products of this commodity group by trade liberalization. This commodity group contains a large number of prepared and preserved meat. It is very difficult to believe that the tariff-equivalence of commodity groups defined by HS 1601.00 and HS 1602.32 is 100 per cent, while the tariff-equivalence of commodity group defined by HS 1602.39 is 35 per cent.

In the Uruguay Round, a large number of countries fixed the level of tariff bindings, after estimating the tariff equivalence of QRs. India (and a large number of other developing countries) fixed the bound rates without examining their detailed implications. It was mostly because a large number of India's imported commodities were subject to QRs. Hence, one could say that the binding rates for a large number of commodities were not appropriate (or tariff-equivalence of QRs/quota). The binding rates for different commodities of the poultry sector are given in next section.

II.2. **Implication for the Poultry Sector**

What effect will this unfettered free trade regime have on the local poultry industry? There has never been serious discussion on its underlying effects. What can be said from the available indications is that the local industry would not be able to survive in an unfettered trade environment. The new regime would lead to reckless cheap imports, a glut in the domestic market, and un-remunerative prices to local producers. The last may be forced to pack up and leave the field. The domestic industry is price competitive only in eggs. However, some studies have shown that Indian 'whole chicken' and chicken products does not show much competitive advantage over other suppliers. The price in India of whole chicken is around 30-40 per cent higher than the import price of Brazilian chicken. In addition, it should be noticed that there is not much significant difference in prices of different cuts of chicken in India, while the prices in other countries vary significantly for different cuts, like breast meat, thigh meat and leg quarters. There are several reasons why local poultry products are relatively expensive compared to imported products.

[10] The government has revised the tariff rates of two more groups of the poultry sector, i.e. HS 0207.13 (Meat and edible offal, of the poultry of heading No. 01.05: Cuts and offal, fresh or chilled) and 0207.14 (Meat and edible offal, of the poultry of heading No. 01.05: Cuts and offal, frozen).

First, there is a big difference in the size of poultry farms operated here and abroad. In India, there are about 1 million poultry farmers of whom 95 per cent have 500 to 5000 birds. Anyone here who keeps 50,000 birds and above is considered a big farmer. But in the United States, an average poultry farmer maintains a flock of 0.4-0.5 billion birds.

Second, a farmer in India has to buy[11] maize feed (for poultry) at around $130 per tonne, while his counterpart in US pays only $80 per tonne. Since the feed cost accounts for nearly 75 per cent of the cost of production of eggs and chickens, the relatively higher price of maize in India leads to higher costs of production.

Third, US and European poultry processors are said to earn their profits by selling their breast portion of chicken, which is conveniently promoted as lean/white meat at a premium price of around $3 per pound (or Rs.250 per kg) in their own markets. The leg portion (the leg quarter), on the other hand, is treated as dark meat and is targeted for dumping in Asian markets at a throwaway price of 20-25 cents per pound (i.e. around Rs.35 per kg). In the Indian market, the thigh and leg quarter is considered a delicacy and is preferred over the breast portion. Therefore, when the local markets are dumped by imported leg quarters at throwaway prices, local producers are definitely going to be hurt.

Fourth, foreign governments, especially the US and EU, support poultry exports with subsidies such as the Restitution Money Scheme of the European Union, and the Export Enhancement Scheme of US. The amount of subsidy works out to be more than 25 per cent of the domestic price in EU, and 40 per cent in the US. The result is an unlevel playing field in which the ball inevitably bounces towards the Indian goal.

[11] During 2000/1.

Table II.3: INDIA: MFN Tariffs and UR Bound Rates for Poultry Products

Harmonized System (Commodity Groups)		India's Import Policy			UR Upper
HS Code[a]	HS Description	1999/00	2000/01	2001/2	Bound
		Tariff Rate [b] (%)	Tariff Rate[b] (%)	Tariff Rate[b] (%)	Final Rate[c] (%)
01.02	**Live bovine animals**				
0102.10	Pure-bred breeding animals	40	35	35	100
Ex 0102.10	Cows, heifers, bulls, goats, sheep, and pureline poultry stock	5	5	5	100
0102.90	Other	40	35	35	100
Ex 0102.90	Grand Parent Poultry Stock and donkey stallions	25	25	25	100
01.05	**Live poultry, that is to say, fowls of the species Gallus domesticus, ducks, geese, turkeys and guinea fowls**				
0105.11	Fowls of the species Gallus domesticus; *weighing not more than 185 g*	40	35[1]	35	100
0105.12	Turkeys; *Weighing not more than 185g*	40	35	35	100
0105.19	Other; *Weighing not more than 185 g*	40	35	35	100
0105.92	Fowls of the species Gallus domesticus, weighing not more than 2000 g; *other*	40	35	35	100
0105.93	Fowls of the species Gallus domesticus, weighing more than 2,000 g; other	40	35	35	100
0105.99	Other; *other than weighing not more than 185 g*	40	35	35	100
02.07	**Meat, and edible offal, of the poultry of heading 01.05, fresh, chilled or frozen**				
0207.11	Not cut in pieces, fresh or chilled; *Of fowls of the species Gallus domesticus*	15	35	35	100
0207.12	Not cut in pieces, frozen; *Of fowls of the species Gallus domesticus*	15	35	35	35[2]
0207.13	Cuts and offal, fresh or chilled; *Of fowls of the species Gallus domesticus*	15	100	100	100
0207.14	Cuts and offal, frozen; *Of fowls of the species Gallus domesticus*	15	100	100	100
0207.24	Not cut in pieces, fresh or chilled; *Of turkeys*	15	35	35	100

0207.25	Not cut in pieces, frozen; *Of turkeys*	15	35	35	100
0207.26	Cuts and offal, fresh or chilled; *Of turkeys*	15	35	35	100
0207.27	Cuts and offal, frozen; *Of turkeys*	15	35	35	100
0207.32	Not cut in pieces, fresh or chilled; *Of ducks, geese or guinea fowls*	15	35	35	100
0207.33	Not cut in pieces, frozen; *Of ducks, geese or guinea fowls*	15	35	35	100
Ex 0207.34	Fatty livers, fresh or chilled; *Of ducks, geese*	15	35	35	35[2]
Ex 0207.34	Not cut in pieces, frozen, *of guinea fowl*	15	35	35	100
0207.35	Other, fresh or chilled; *Of ducks, geese or guinea fowls*	15	35	35	100
0207.36	Other, frozen; *Of ducks, geese or guinea fowls*	15	35	35	100
04.07	**Birds' eggs, in shell, fresh, preserved or cooked**				
040700.01	Of the species Gallus domesticus and ducks for hatching	35	35	35	150
040700.02	Birds' eggs, in shell, fresh other than for hatching	35	35	35	150
040700.09	Other	35	35	35	150
04.08	**Birds' eggs, not in shell, and egg yolks, fresh, dried, cooked by steaming or by boiling in water, molded, frozen or otherwise preserved, whether or not containing added sugar or other sweetening matter**				
0408.11	*Egg yolks* : Dried	35	35	35	150
0408.19	*Egg yolks* : other	35	35	35	150
0408.91	*Other than Egg Yolks*: Dried	35	35	35	150
0408.99	*Other than Egg Yolks*: other	35	35	35	150
10.05	**Maize (Corn)**				
10059000.1	Maize for use for poultry or animal feed	0	0	15/50	15/60*
1601.00	**Sausages & similar Products, of meat, meat offal or blood; food preparations based on these products**	40	100	100	150
16.02	**Other prepared or preserved meat, meat or blood**				
1602.10	Homogenized preparations	40	35	35	55[2]

1602.20	Of liver of any animal	40	35	35	150
1602.31	Of turkeys; *of poultry of heading No. 01.05*	40	35	35	150
1602.32	Of fowls of the species; *of poultry of heading no. 01.05*	40	100[4]	100	150
1602.39	Other, *of poultry of heading no. 01.05*	40	35	35	150
1602.41	*Of swine*, Hams and cuts thereof	40	35	35	55[2]
1602.42	*Of swine*, Shoulders and cuts thereof	40	35	35	55[2]
1602.49	*Of swine*; Other, including mixtures	40	35	35	150
1602.50	Of bovine animals	40	35	35	150
1602.90	Other, including preparations of blood of any animal	40	35	35	150

a. The commodity groups defined by the Harmonized System of Indian Trade Classification (HS-ITC), in 1999/2000.
b. These rates represent the Most Favored Nation (MFN) tariff rate defined as the Basic Custom Duty (*ad valorem*) in Indian custom classification. The different types of exemptions are not taken into consideration to work out the tariff rates.
c. The Uruguay Round Final Bound Rates. The definition of HS Codes for some items was different during the year of UR commitments. The final bound rates are worked out after making correspondence between the custom classification (HS) of the Uruguay round negotiation period (1992) and custom classification (HS) of 1999/2000, 2000/1 and 2001/2.

* India has successfully renegotiated raising bound import duty on a range of agriculture items, including maize, with 'principal supplying interests' like US, EU, Canada, Australia and New Zealand.

[1] The basic custom duty of Grand Parent Poultry Stock is 25 per cent instead of 35 per cent
[2] Commitments for these items were made in earlier rounds.

Sources of data:

(i) WTO, *Country Tariff Schedule of India*, 1995.
(ii) G.O.I., *Custom Tariff of India 1999/2000, 2000/2001, 2001/2002.*
(iii) G.O.I., *Custom Tariff of India 2000-2001*, Budget Document, March 2000.

III. UR: Tariff Bindings and Sanitary Measures

III.1 **Tariff Bindings**

In the Uruguay Round negotiations, India has agreed to bound (and reduce) tariff rates for 3373 commodities/commodity groups at 6-digit level or commodity sub-groups of 6-digit HS level.[12] The bound rates for almost all the commodities are *ad valorem*. The committed commodities account for around 65 per cent of India's total tariff lines.[13] As far as agriculture commodities (or lines) are concerned, India has committed for bound rates of all the lines. India has basically three bound rates for the agriculture sector: 100 per cent for raw material, 150 per cent for processed agro-commodities, and 300 per cent for edible oil. These reductions, where needed, will be done in equal installments beginning March 1995 and ending on March 2004.[14] However, the binding rates, for a number of agriculture commodities are low and in a few cases zero. The range of bound rates of most of these items is 0-55 per cent.[15] These were owing to commitments made by India in the earlier rounds (earlier than the UR) of negotiations. In such items staging does not apply as the concessions are either already in effect or will be implemented immediately. There are also some products of the poultry sector where the bindings have been made in earlier rounds.

During 1999/2000, India has successfully renegotiated the binding rates on products with 'principal supplying interests'. The negotiations have been conducted mainly for those agriculture commodities whose binding have been made at rounds earlier than the Uruguay Round. Under Article 28 of GATT. India had agreed to keep its import duty on some agriculture items at 0 per cent as India was a food deficit country when the pact was signed. India had not bothered to change the rate of import duties of these commodities in the Uruguay Round, probably because it was following the QR regime. The renegotiated agreement would enable the country to change the import duty on 17 items such as rice, spilt wheat, skimmed milk powder, sorghum, jawar, maize, etc. The deal was a part of a trade-off with agriculture exporting countries under which India has given more access on other items by decline/restructure in tariff bindings like groundnut oil; or developed countries would be allowed to raise their bound tariffs on certain items. India had to begin renegotiations of the bound rates with principal suppliers of the commodities in the light of removal of QRs. It

12 India defines custom tariff rates at 6-digit HS level.
13 Out of 5112 lines for which tariff rates are defined.
14 In some items the phasing-out period is 6 years.

began bilateral negotiations with principal supplying countries of WTO, following sharp increase in import of skimmed milk powder, which was estimated to be around 18000 tonnes between April and October 1999, as compared to import of 2000-3000 tonnes during the same period in 1998. As a part of these renegotiations, India will impose a custom duty of 15 per cent on import of skimmed milk/whole milk up to 10000 tonnes under the tariff-quota deal. Imports above 10000 tonnes would attract a 60 per cent duty. Similarly, the bound rate for in–quota of maize is 15 per cent upto 3,50,000 metric tonnes, while the corresponding rate for out–quota is 60 per cent.

Since the poultry sector is a part of agriculture, India has made tariff commitment for all the commodities of the poultry sector. The bound rates for different commodities of the poultry sector are given in Table II.3. The range of tariff binding rates varies from 35 per cent to 150 per cent. Most of finished (consumer) goods of the poultry sector, i.e. items of commodity groups like "birds' eggs", "sausages or other prepared meals", etc. are bound at 150 per cent, except for items of commodity groups defined by HS 1602.10 (homogenized preparations), 1602.41 (hams and cuts thereof of swine) and 1602.42 (shoulders and cuts thereof of swine). The tariff rates of these three commodity groups of the poultry sector are bound at 55 per cent. Most of the items of 'live poultry' and 'meat, and edible offal of the poultry' are bound at 100 per cent. However, there are some exceptions in this category also. The commodity group defined by HS 0207.12 (meat, and edible offal of fowls of species *Gallus domesticus*, not cut in pieces, frozen) and a sub-group of HS 0207.34 (Fatty livers, fresh or chilled of duck and geese) are bound at the rate of 35 per cent. The bound rate for a raw material of the poultry sector, i.e. maize, was fixed at 0 per cent in the UR. As mentioned earlier, India has successfully renegotiated, in early 2000, raising the bound import duty on maize and other range of agriculture products with 'principal supplying interests'. The new bound rates would be applicable uniformly to all the countries as per the MFN principle of WTO.

III.2 **Sanitary Barriers**

The importance of product standards in domestic and international business transactions can hardly be overemphasized. National governments often lay down health and safety standards for various products obviously to protect consumers. Standards are usually established to protect the environment and natural resources. Standards are also indispensable in international business transactions because they ensure a uniform level of quality in

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[15] Except for a few types of juices (at 85 per cent) and a commodity, i.e. hop cone (75 per cent).

merchandise, and reduce disputes over specifications and quality of goods exported or imported.

Many countries restrict import of agricultural products, particularly plants, fresh fruits and vegetables, meat and meat products, and other prepared foodstuff on the grounds of sanitary and phytosanitary regulations. An example is that of fresh fruits and vegetables. Several countries importing fresh fruits and vegetables have imposed strict regulations. These countries require fresh fruits and vegetables from countries with specific pests, to be treated to prevent the growth of these pests in their territories.

Until UR, international rules applicable to sanitary and phytosanitary measures fell within the scope of the agreement called Technical Barriers to Trade (TBT). The TBT agreement, also called the "standard code", resulted from the Tokyo Round of multilateral negotiation. This agreement permitted its signatories to introduce sanitary and phytosanitary measures in the pursuit of legitimate objective, for example, the protection of human, animal, or plant health, the protection of environment, animal welfare, and national security motives.

When negotiations during the Uruquay Round led to lowering of trade barriers, some countries felt that the trade barriers may be circumvented by disguised protectionist measures in the form of sanitary and phytosanitary regulations. This concern ultimately led to signing of a separate agreement on the application of sanitary and phytosanitary measures in parallel with the Agreement on Agriculture. In fact, the two agreements are complementary.

One of the objectives of the SPS agreement is to reduce the possible arbitrariness of sanitary and phytosanitary measures. The agreement specifies principles and rules which member countries must follow in regulating imported products. The agreement defines sanitary and phytosanitary regulations as measures taken to protect human, animal, or plant life and health.

The SPS agreement requires countries:

(i) to base their SPS regulations on international standards, guidelines and recommendations

(ii) to play a full part in the activities of international organizations like the CODEX, International Plant Protection Convention, etc. in order to promote the harmonization of SPS regulations on an international basis.

While the SPS agreement has much in common with its predecessor, i.e. the TBT agreement, there are two major differences.

1. The TBT agreement requires product standards to be applied on a MFN basis. The SPS agreement, on the contrary, permits standards to be applied on a discriminatory basis, so long as they do not arbitrarily discriminate between members. The rationale behind this discriminatory treatment in SPS is that it is not appropriate to apply same sanitary and phytosanitary standards on animal and plant products originating from different countries because the incidence of pests or diseases and food safety conditions differs owing to climatic differences.
2. The SPS agreement provides greater flexibility for countries to deviate from international standards than is permitted under the TBT agreement. The TBT agreement, for instance, allows a country to deviate from international standards only if it can be justified on scientific or technical grounds. The SPS agreement, on the other hand, states that a country may introduce or maintain a SPS measure resulting in a higher level of SPS protection than that achieved by an international standard if that country determines to have a higher level of protection.

Resorting to sanitary and phytosanitary measures provides yet another safety valve for countries to shield domestic industries from unfair competition. However, a regrettable fact is that India does not have at present detailed food safety standards for its poultry products. As a result, India cannot regulate imports of poultry products from major exporters. At the same time, India can also not export poultry products to major trading partners, because the latter have not recognized that India follows their food standards.[16]

[16] India is exporting Egg powder to select countries, including Germany, against a temporary permit.

IV. State Support Measures in Select Countries: Some Issues

As mentioned earlier India's economic reform, launched in the 90s, has placed the industry in a different situation. From the 1950s to late 90s, Indian Poultry industry operated in highly protected market. Predictable markets, prices and production levels prevailed for forty to fifty years when the industry faced no external competition. However, the protective environment will soon be gone. The objective of this section is to draw lessons if any from international experience, i.e. how governments in other countries have designed way, in WTO, to protect their industry, directly or indirectly. Toward that proximate goal we investigate the state support to the industry in the form of production and export subsidies.

IV.1 Production Subsidies of Select Countries

An important outcome of the Agreement on Agriculture under the Uruguay Round is the institutionalization of developed countries' subsidies. The agreement committed developed countries to cut their agricultural production subsidies by 20 per cent and export subsidies by 36 per cent over ten years. However, even after this reduction, the subsidies are likely to remain high because direct income subsidies to farmers are allowed under the so-called "Green Box" provision of the agreement on the grounds that they are "decoupled" from production and thus "non-trade devising". In fact, subsidies to agriculture provided by the market price and direct income support mechanism is enormous. According to a United Nations Development Programme (UNDP) estimate, the subsidy per farmer in the United States came to $ 29,000 in 1995[17] - a figure that is several times the per capita income of developing countries like India.

In the United States, direct income subsidies have taken the form of "deficiency payments" which bridge the gap between the guaranteed floor intervention price (usually the market price) and a politically determined target price to support farm incomes. Under the 1996 United States farm bill, this system is being replaced by a flat rate: "….in bad years, farmer will get only predetermined payments, but in good years, they will get the same amount, even if they take in far more than the market price of their crop". Deficiency payments are projected to average $5.1 billion a year between 1996 and 2002.[18]

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17 Cited in W. Bello, and A. Kwa, "The GATT Agreement on Agriculture and Food Security: The Philippines Case", 1998.

18 Moore, A. P. G., *Perverse Incentives*, Institute for Research on Public Expenditure, The Hague, 1997

In the European Union, direct income payments are merely based on output, the bulk of it via a "land-set aside programme" which entitles each farmer to a subsidy when he/she withdraws 15 per cent[19] of his/her land from cultivation. The idea behind the set aside programme is to restrict output, thus raising prices.

But the truth is that direct payment to European and United States farmers are not really decoupled from production since, without them, agriculture would scarcely remain profitable. Deficiency payments, for instance, make up between one-fifth and one-third[20] of the United States farm incomes. In other words, by advancing the notion of "decoupled payments", the EU and the United States was redefining the concept of subsidy to fit with their self-interest.

Thirty countries have made commitment to reduce total aggregate measure of support (AMS), to the World Trade Organization (WTO). However, other members who do not have domestic support reduction commitments are also required to notify domestic support every year to WTO. In the remainder of this section, we offer some data pertaining to these production subsidies for the poultry industry of select countries.

Table IV.1 gives, by way of aggregate figures, total Aggregate Measurement of Support (AMS) and product specific domestic support in terms of both committed and actual for select countries. Product-specific domestic support includes market price support, non-exempt direct payment, and other product-specific support. An examination of this data shows the following:

1. Both committed and current level of AMS, whether total or product specific has fallen over time for Australia, Brazil, Canada, and Korea. However, the total amount of AMS is significant-the United States gave AMS of US $ 6.2 billion in 1997.
2. For the European Union (EU), only the committed levels are known for 1997, 1998 and 1999. It is hence difficult to say whether AMS has declined over time or not. This is true for the United States too.
3. For the Philippines and Thailand, AMS is found to have increased over time.
4. It should be remembered that a large part of the total AMS is in the form of non-product specific, hence that support does not get reflected in product specific AMS. For example, product specific AMS for poultry meat or chicken will not reflect in the domestic support given through non-product specific amount.
5. Although the current level of total AMS of Japan has declined from 1995 to 1997, AMS for eggs has increased from 1.2 billion yen in 1995 to 1.6 billion yen in 1996 (and 1997).

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19 Bello and Kwa, *ibid.*

20 Bello and Kwa, *ibid.*

Table IV.1 gives only the amount of aggregate support given for a few select poultry products in value terms. It does not tell how much of price support do these countries offer (sometimes known as price subsidy) for a unit production of different poultry products. To shed some light on this, we have given in Table IV.2 the market price support for select poultry products in select countries. In 1997, Switzerland's price subsidy to poultry products works out to 60 per cent. For instance, the applied administrative price (which is close to production cost) of one tonne of poultry was Sw F 3997 while the external reference price (which is close to the domestic market price) was Sw F 673 per tonne. Hence, Switzerland gave a domestic price support (or price subsidy) of Sw F 3324 (=3997-673) per tonne (in term of US dollar, US $ 2290 per tonne). In other words, the external reference price was one-sixth of the applied administrative price.

The ratio of applied administrative price to external reference price is quite high ranging from 2.53 to 8.30 for different poultry products/eggs in different countries (see Table IV.2). Further, the table shows that the magnitude of price support has been increasing over time in some countries. For example, the price support for poultry meat of Iceland in 1998 is Mill ISK 822.2 compared to Million ISK 636.3 in 1997.

IV.2 **Export Subsidies of Select Countries**

Out of 136 WTO members, 25 countries have made export subsidy reduction commitments in the Uruguay Round. These commitments have been made for (i) total agriculture and (ii) product-specific commitments in many product groupings. The number of product groupings vary from country to country. Member countries have made commitments on (i) budgetary outlay and (ii) volume basis. The total number of groupings of volume-commitments (product specific) is less than the number of groupings of budgetary outlay commitments. All member countries, including those, which have no export subsidy reduction commitments, have to notify the quantum of export subsidy to WTO.

Table IV.1: Total aggregate Measurement of Support (AMS) and Product Specific Domestic Support of poultry products, by select member countries, as notified to WTO

Member	Currency	Base Period	1995		1996		1997		1998		1999	
			Total AMS commitment level	Current Total/ product AMS	Total AMS commitment level	Current Total/ Product AMS	Total AMS commitment level	Current Total/ Product AMS	Total AMS commitment level	Current Total/ product AMS	Total AMS commitment level	Current Total/ product AMS
Australia-Total	$A million		570.16	151.72	550.5	144.19	530.84	131.62	511.18	119.71	491.52	
Eggs	$A million	62.5										
Brazil-Total	US$ '000		1039125.79	295032.98	1025012.39	363284.3	1010898.98	306844.7	996785.58		982672.17	
Canada-Total	Can$ million		5197	777	5017	618.7	4838	522.1	4659		4480	
Chicken	Can$ million	1.7		1		2.3		0.8				
Turkey	Can$ million	0.1				0.0		0.0				
Eggs	Can$ million	0.2				0.0		0.0				
Cyprus-Total	£C million		57.6	36.5	56.8	35.5	56.1	25.5	55.3	21.8	54.5	
Livestock Prod.	£C million	17.9		11.4		8.7		8.9		8.5		
Eggs	£C million	1.7		1.4		1.6		0.7				
Poultry Meat	£C million	1.7		7.3		7.3		4.3				
EC-Total	ECU billion		78.67	50.03	76.37	51	74.07		71.76		69.46	
Japan-Total	¥ billion		4800.6	3507.5	4635	3329.7	4469.5	3170.8	4304		4138.4	
Meat of Swine	¥ billion	604.5		323.3		291.8		285.8				
Eggs	¥ billion	1.3		1.2		1.6		1.6				
Korea-Total	W billion		2182.55	2075.44	2105.6	1967.36	2028.65	1936.95	1951.70	1562.77	1874.75	
Poultry Meat	W billion			0.35								
Eggs	W billion			0.24								
Philippines-Total	Mill Pesos	483.9		257.2		920.4		766.0		1129.3		
Thailand-Total	B million		21816.41	15773.25	21506.64	12932.47	21196.87	16756.58	20887.10	16402.10	20577.33	
United States – Total	US$ million		23083.14	6213.86	22287.17	5897.66	21491.2	6238.4	20695.2		19899.3	

Product specific domestic support includes: (i) market price support (Supporting Table DS:5), (ii) non-exempt direct payment (Supporting Table DS:6); (iii) other products-specific support (Supporting Table DS:7) and (iv) any support measure via. the equivalent measure of support methodology (Supporting Table DS:8), as reported to WTO.

'Blank' cell means that figures are not reported to WTO.

Source: WTO, *Domestic Support: Background Paper by The Secretariat,* Committee on Agriculture, G/AG/NE/S/1, 13 April 2000.

Table IV.2: Product specific domestic support: market price support for poultry products, select countries/commodities

Country	Description of Proudct	Calender/ Marketting Year	Measure Support	Applied Administered Price		External Reference Price		Eligible Production		Associated Fees levis		Total Market Price Support		*Price Ratio*
(1)	(2)	(3)	(4)	(5)		(6)		(7)		(8)		(9)={(6)-(5)}*(7)-(8)}		(10)= (5)/(6)
				Unit	Price	Unit	Price	Unit	Amount	Unit	Amount	Unit	Amount	
Switzerland	Poultry	1997	Price Support	SW F/t	3997	SW F/t	673	000 tonnes	44			Mill. Sw F/t	146.3	5.94
				US $/t[1]	2754.08		463.72						100.81	
	Eggs in Shell	1997	Price Support	SW F/t	4383	SW F/t	928	000 tonnes	40		0	Mill. Sw F/t	138.2	4.72
				US $/t	3020.05		639.43						95.22	
Japan	Meat of Swine	Beginning April 1997	Price Stabilisation	`000 Y/t	385*	`000 Y/t	152**	000 Y/t	1288***	Bill. Yen	14.3	Bill. Yen	285.8	2.53
				US $/t[2]	3.1820812		1.2563022					Bill US$	2.3628399	
	Eggs	April 1997	Payment relates									Bill. Yen	1.6[@]	
			Price (ISK)											
Iceland[c]	Poultry Meat	1998	Payment relates	ISK/t	374		61		2644			Mill. ISK	822.2	6.13
			Price (ISK)	US $/[3]	5.2707235		0.8596635					Mill. US$	11.5871361	
	Egg	1998	Payment relates	ISK/t	224		27		1953		2600	Mill. ISK	381.6	8.30
			Price (ISK)	US $/t	3.156797		0.3805068					Mill. US$	5.37782914	
	Poultry Meat	1997	Payment relates	ISK/t	417.71		115.82		212.5		5249	Mill. ISK	636.3	3.61
			Price (ISK)	US $/[4]t	5.8870536		1.6323252					Mill. US$	8.96778194	
	Egg	1997	Payment relates	ISK/t	220.5		51.7		2113		2497	Mill. ISK	354.2	4.26
			Price (ISK)	US $/ t	3.1076472		0.7286411					Mill. US$	4.99196663	
Canada	Chicken	Fiscal 1996	Provincial Direct Payment									Mill C $	2.3[b]	
	Chicken	Fiscal 1997	Provincial Direct Payment									Mill C $	0.6[b]	

Source of Data: Different country **Notifications** relating to Domestic Support, submitted to WTO.
Standards stabilization price, ** Sluicegate Price in EC, *** Total Production (MAFF Statistics), @: Non-exempt Direct Payment ,
b: Provincial Ministries of Agriculture, c: Avg. Exchange Rate: ISDR=ISK 98.94.
1: SWF/US$ (1997)= 1.4513, 2: Yen/US$=120.99, 3: ISK/US$ (1998)= 70.958, 4: ISK/US$ (1997)= 70.904, 5: C$/US$ (1996)= 1.3635, 6: C$/US$ (1997)= 1.3846

The information presented in Table IV.3 pertains to export subsidy offered by select countries to exports of poultry products – poultry meat and eggs. The table provides information on both the committed and actual outlay, and a further break down of each in terms of budgetary outlay and volume outlay, wherever such details are available. In the case of some countries/products, for instance, only the amount of budgetary outlay is reported, not the actual outlay. A few interesting observations emerge from the table:

1. Budgetary outlay, whether committed or actual, has declined, with the result that the 1998 budgetary outlay is below the 1995 outlay. However, the quantum of export subsidy is still high.
2. The quantum of actual budgetary outlay is less than the corresponding committed level for select poultry products of different years. However, there are some exceptions in the case of volume-commitments. There are instances where the quantum of actual volume outlay is more than the corresponding committed level. For example, EC gave away export subsidy to 393700 tonnes of poultry meat as against its commitment to 375100 tonnes in 1997. This is also true of eggs in 1998.

The discussion until now was confined only to aggregate export subsidy. How much is the export subsidy per unit of select poultry products? To gain some information on this, we have sought to work out actual export subsidy per unit of select poultry products. This data are reported in Table IV.4 for select countries. The quantum of export subsidy per unit has tended to increase over time. For example, in the United States it is US $ 394.74 per tonne in 1998 as against US $ 231.60 in 1995, for ‘poultry meat’. Similarly, the amount of export subsidy offered by EC to eggs has gone up from ECU 135.65 per tonne in 1995 to ECU 151.49 in 1998, and to poultry meat has gone up from ECU 181.86 per tonne in 1996 to ECU 261.21 per tonne in 1998.

Table IV.3: Export subsidy of poultry products for Select Countries notified to WTO										
Country	**Product**	**Period**	**Type of Commitment /Outlay**	**Actual Outlay or Commitments**	**Units**	I. Year				
						1995	**1996**	**1997**	**1998**	**1999**
Australia:	**Commitment made for 5 products, excluding Poultry Products**									
Brazil	Poultry Meat	Calander	Budgetary Outlay	Committed	U$	4805171	4687011	4568851	4450691	4332531
				Actual	U$	0	0	0	0	
			Volume Outlay	Committed	Tonnes	96566	95195	93824	92453	91082
				Actual	Tonnes	0	0	0	0	
Canada:	**Commitment made for 11 products, excluding Poultry Products**									
European Commission	Poultry Meat	Marketing Year	Budgetary Outlay	Committed	Mio ECU	136.3	127.2	118	108.9	99.8
				Actual	Mio ECU	115.9	73	76.1	89.7	
		1 July-30 June	Volume Outlay	Committed	Tonnes	434500	404700	375100	345400	315600
				Actual	Tonnes	418100	401400	393700	343400	
	Eggs	Marketing Year	Budgetary Outlay	Committed	Mio ECU	60.7	57.3	53.9	50.5	47.1
				Actual	Mio ECU	12.9	6.9	13	17.3	
		1 July-30 June	Volume Outlay	Committed	Tonnes	126100	120600	115200	109700	104200
				Actual	Tonnes	95100	67900	103800	114200	
Korea:	**No reduction commitment made in WTO, but reported to WTO it has not given export subsidy to poultry sector during 1995-98**									
Philippines:	**No reduction commitment in WTO, bur reported to WTO it has not given export subsidy to any sector including poultry**									

USA	Poultry Meat	Year beginning Oct.1	Budgetary Outlay	Committed	US$	21377402	20012887	18648372	17283857	15919342
				Actual	US$	5153000	0	862500	1399762	
		Year Beginning July 1	Volume Outlay	Committed	Tonnes	34196	32955	31715	30475	29235
				Actual	Tonnes	22250	0	0	3546	
	Eggs(dozen)	Year beginning Oct. 1	Budgetary Outlay	Committed	US$	7587922	6391233	5194545	3997856	2801167
				Actual	US$	0	0			
		Year beginning July 1	Volume Outlay	Committed	Dozen	30261813	25593371	20924929	16256487	11588045
				Actual	Dozen	7565500	0	0	0	
Thailand: No reduction commitment made in WTO but it has given Export subsidy to egg and other sectors; Amount of export subsidy =>					US$	15.24*	6.24*	4.53**		

* For eggs and rice ** for manioc pellet.

Blank cell means that figures not available.

Source of Data: WTO, *Export Subsidies:* Background Paper by the Secretariat, Committee on Agriculture, Special Session, G/A/NG/S/5, 11 May 2000.

Table IV.4: Actual Export Subsidy per unit of Select Poultry Products in Select Countries						
Country	**Product**	**Unit**	**1995**	**1996**	**1997**	**1998**
European Commission	Poultry Meat	ECU/tonne	277.21	181.86	193.29	261.21
		US $/tonne	362.61	230.60	219.22	295.17
	Egg	Mill. ECU/Tonne	135.65	101.62	125.24	151.49
		US $/tonne	177.44	128.85	142.04	171.18
US	Poultry Meat	US $/tonne	231.60	0/0	*	394.74
	Eggs	US $/tonne	**	0/0	N.R.	N.R.
* Value of budgetary actual outlay is US $ 862500, while volume is reported 0, as reported to WTO.						
** Value of budgetary actual outlay is reported 0, while volume reported to WTO is 7565500 dozen						
1. Based on Annual Average Exchange Rate						
N. R. Not Reported						
Source of Data: Table IV.3						

IV.3 **Tariff Quota**

As mentioned earlier, the *market excess* commitment is one of the major achievements of the Agreement on Agriculture (AoA) in the Uruguay Round (UR). As a part of this process, AoA entailed conversion of all non-tariff barriers (NTBs) into equivalent tariff barriers, which is sometimes referred to as *tariffication*. Apart from the tariffication of NTBs, UR negotiations led to a reduction in the base tariff under a time bound programme by 24 per cent (average) over ten years in the case of developing countries and by 36 per cent (average) over six years for developed countries. In addition to this, it was also decided to maintain current access opportunities and establish a minimum access tariff-quota. The minimum access of tariff quota was to be established at reduced tariff rate for those basic products where minimum access was less than a proportion of domestic consumption in the base year. [21] Minimum access import quota must be equal to 1 per cent of domestic consumption for developing countries (3 per cent for developed countries), increasing to 4 per cent by 2004 (5 per cent by 2000 for developed countries). The tariff quotas were fixed at reasonable levels on tariff-line-by-line basis with the objective of facilitating market access. In the Uruguay Round, 36 member countries opted for tariff-quota on 1371 lines[22] (or commodities).

Table IV.5 gives the number of lines with tariff-quota committed by different countries in UR. It shows that Norway made commitment for the maximum number of lines: 232. EC committed tariff quota for 87 lines in the UR, while the United States made commitment for 54 lines. A

21 Average for 1986-88 for most of the countries.

significant number of these commitments were made for poultry, egg, and egg products. WTO categorized the different lines of the tariff quota in 12 broad commodity groups (see Table IV.5). In this context, it should be remembered that different countries are following different administrative methods to fill tariff quotas. The different administrative methods are categorized by WTO into 10 groups:

Categories of principal Administration Methods adopted for Tariff-Quota in Different Countries

Code	Description
AT	"applied tariffs": No shares are allocated to importers. Imports of the products concerned are allowed into the territory of the Member in unlimited quantities at the in-quota tariff rate or below.
FC	"first-come, first-served": No shares are allocated to importers. Imports are permitted entry at the in-quota tariff rates until such a time as the tariff quota is filled; then the higher tariff automatically applies. The physical importation of the good determines the order and hence the applicable tariff.
LD	"licences on demand": Importers' shares are generally allocated, or licences issued, in relation to quantities demanded and often prior to the commencement of the period during which the physical importation is to take place. This includes methods involving licences issued on a first-come, first-served basis and those systems where licence requests are reduced pro rata where they exceed available quantities.
AU	"auctioning": Importers' shares are allocated, or licences issued, largely on the basis of an auctioning or competitive bid system.
HI	"historical importers": Importers' shares are allocated, or licences issued, principally in relation to past imports of the product concerned.
ST	"imports undertaken by state trading entities": Import shares are allocated entirely or mainly to a state trading entity which imports (or has direct control of imports undertaken by intermediaries) the product concerned.
PG	"producer groups or associations": Import shares are allocated entirely or mainly to a producer group or association which imports (or has direct control of imports undertaken by the relevant Member) the product concerned.
OT	"other": Administration methods which do not clearly fall within any of the above categories.
MX	"mixed allocation methods": Administration methods involving a combination of the methods as set out above with no one method being dominant.
NS	"non-specified": Tariff quotas for which no administration method has been notified.

[22] For details see WTO, *Tariff Quota Administration Methods and Tariff Quota Fill*, Committee on Agriculture, G/AG/NG/S/8, 26 May 2000.

Although the tariff-quota leads to provide a minimum market access for imports[23], the high levels of over-quota tariff and stringent administration methods (for imports) do not allow imports above the quota levels.

In the Uruguay Round, India had not opted for tariff quota for any tariff line (see Table IV.5). The removal of India's QRs may led to a significant increase in imports of select agriculture items. For example, skimmed milk powder imports increased from 2000-3000 tonnes between April and October 1998 to around 18000 tonnes during the same period in 1999. Since, India had no options to restrict increase in the level of imports, this forced India to renegotiate the binding rates and/or establishment of quota-tariff with 'principal supplying interests' like the United States, European Union, Canada and New Zealand in 1999/2000. India has successfully renegotiated this deal for 17 commodities. The renegotiated deal would enable the country to enhance the import duty, or establish tariff quota on select lines. India now has tariff quota system for three items: skimmed milk/whole milk, edible oil, and corn. In the case of skimmed milk/whole milk, India will impose a custom duty of 15 per cent up to 10,000 tonnes (during a financial year) under the tariff-quota deal. Imports above 10,000 tonnes would attract 60 per cent custom duty. Similarly, the bound rate for in-quota of corn is 15 per cent while the corresponding rate for out-quota is 60 per cent. Further, corn's in-quota is 350,000 metric tonnes. In this context, it should be remembered that the deal was part of a trade-off with agriculture exporting countries, under which other developed countries would be allowed to restrict their markets and/or increase their market access in India for certain other items.

Table IV.5: Number of Tariff Quotas by Member-countries, committed in WTO, 1999

Country	No. of Lines (or commodities)	Country	No. of Lines (or commodities)
Australia	2	Mexico	11
Barbados	36	Morocco	16
Brazil	2	New Zealand	3
Bulgaria	73	Nicaragua	9
Canada	21	Norway	232
Colombia	67	Panama	19
Costa Rica	27	Philippines	14
Czech Republic	24	Poland	109
Ecuador	14	Romania	12

[23] Around 3 to 5 per cent.

El Salvador	11	Slovakia	24
EC-15	87	Slovenia	20
Guatemala	22	South Africa	53
Hungary	70	Switzerland	28
Iceland	90	Thailand	23
Indonesia	2	Tunisia	13
Israel	12	United States	54
Japan	20	Venezuela	61
TOTAL			**1368**

Table IV.6: Principal Tariff Quota Administration Methods - Number of Tariff Quotas by Product Category, 1999

Product Categories => Administrative Method	**CE Cereals**	**OI Oilseeds**	**SG Sugar**	**DA Dairy**	**ME Meat***	**EG Eggs****	**BV Beverages**	**FV Fruit & veg.**	**TB Tobacco**	**FI Fibres**	**CO Coffee, tea, etc.**	**OA Other**	**ALL**
Applied tariffs	106	72	22	54	88	7	9	211	7	7	21	38	**642**
First-come, first served	18	13	13	16	26	-	11	26	1	7	14	2	**147**
Licences on demand	66	28	8	47	77	11	11	62	3	2	14	8	**337**
Auctioning	3	-	3	18	18	2	2	10	-	-	-	-	**56**
Historical importers	11	2	3	13	23	-	2	17	1	1	2	-	**75**
State trading	7	3	1	2	-	-	-	6	1	-	1	-	**21**
Producer groups	1	3	-	-	-	-	-	3	-	-	1	1	**9**
Other	-	-	-	10	4	-	-	1	-	-	-	-	**15**
Mixed methods	4	3	1	21	9	1	-	13	-	1	3	4	**60**
Non specified	1	-	-	-	-	-	-	5	-	-	-	-	**6**
TOTAL	**217**	**124**	**51**	**181**	**245**	**21**	**35**	**354**	**13**	**18**	**56**	**53**	**1368**

* Bovine meat, pigmeat, poultry meat, sheepmeat, live animals, aggregated meat tariff quotas (e.g. beef and sheepmeat), processed animal products

** Eggs, other egg products, aggregated egg and products tariff quotas

V. Concluding Observations

The broad picture that emerges from a review of (i) removal of QR (ii) WTO and (iii) state support measures of select countries, is as follows:

1. The Indian poultry industry has recorded extraordinary growth during last two decades. Demand for poultry products has also been found to be steeply rising.
2. The United States, China, European Union (EU), and Brazil are the leading producers, consumers, and exporters of poultry products. The main importers are Russia, Hong Kong, Mexico, and Japan. The level of imports is significantly increasing over time. For example, imports by Russia tripled in the first seven months of 2001, touching the level of 0.7 mill tonnes.
3. An important industry characteristic of the poultry is its oligopolistic structure – a few large companies dominate the international market.
4. There is still a web of government intervention in the market economies of the west. The United States supports its domestic poultry industry through price support and export subsidies, besides levying import duties at a specific rate whose *ad valorem* equivalent works out to be high. Similarly, Canada also supports its home poultry industry through domestic price support and export subsidies; besides, there is a two-tier tariff, one for in-quota and another for out-quota.
5. Trade liberalization in developing countries is slowly changing the structure of native poultry industry. This can be amply illustrated by the case study of the Philippines poultry industry. Imports of poultry products to the Philippines grew tremendously after 1996, even though domestic production was enough to meet local requirements. In 1997, the United States accounted for four-fifths of chicken imports to the Philippines. Imports started competing with local production because the landed costs of imports of poultry were lower than the price of domestically produced meat.
6. A review of import policies of select countries leads to a firm conclusion. The member countries, particularly western countries, have adopted one or more instruments to protect their national interests such as producers interest, consumers interest, farmer's interest, or

implementation of 'domestic policy objectives'. Some important instruments adopted by these countries are:

(i) Production subsidies,
(ii) Export subsidies,
(iii) Non-tariff measures,
(iv) Special safeguard protection, and
(v) Tariff quota.

7. India has not opted for any of these instruments in the Uruguay Round. It may have done so because (i) India's imports were subject to different types of QRs, and (ii) India could negotiate for a relatively higher level of bound rates (for agriculture items). The removal of QRs is forcing India to consider alternate measures.
8. What are the options for the Indian poultry industry? In the short run, it has very limited options. One such option for the Indian industry is to impress the government to work out the tariff equivalent of QR on poultry products. The second is to impress the government to introduce tariff rate quotas (TRQs). Even countries like the Philippines have introduced this two-tier tariff: one for minimum competitiveness of the industry, and second for protection.
9. Already negotiations on Agreement of Agriculture (AoA) have started. India has to keep the interests of various actors, i.e. interests of its producers, consumers, employment, revenue, etc. Some of the policy options available for India are:
   a. The Government may take up the issue of special safeguard protection (SSP) in the on going review of AoA. Currently SSP is available to a few countries. The benefits of SSP should be extended to other countries.
   b. A large number of developed countries are giving substantial production and export subsidies. On the other hand, the Indian poultry industry is taxed and is not even subject to concessions. To provide a level-playing ground in the international market, the steps should be taken to waive the subsidies provided by developed countries to the poultry sector.
   c. An Association of Indian Poultry Industry should be set up which can also compile vital information/statistics relating to economic and trade policies/ variables. This association should provide early signals to the industry so that the latter could initiate appropriate steps to safeguard interests of consumer and farmers (particularly small and marginal farmers).

d. India should speed up enforcement of technical standards for poultry products. This step will not only restrict cheap imports, but will also help the industry penetrate export markets.

10. The poultry industry also should adjust itself to the changing world environment. The economies of scale associated with large-scale production, marketing, and processing could probably be the right answer.

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