INDIA – MEASURES CONCERNING SUGAR AND SUGARCANE
REQUEST FOR CONSULTATIONS BY AUSTRALIA

The following communication, dated 1 March 2019, from the delegation of Australia to the delegation of India, is circulated to the Dispute Settlement Body in accordance with Article 4.4 of the DSU.

1. My authorities have instructed me to request consultations with the Government of the Republic of India ("India") pursuant to Articles 1 and 4 of the Understanding on Rules and Procedures Governing the Settlement of Disputes, Article XXII:1 of the General Agreement on Tariffs and Trade 1994, Article 19 of the Agreement on Agriculture and Articles 4 and 30 of the Agreement on Subsidies and Countervailing Measures with respect to support India provides in favour of producers of sugarcane and sugar and export subsidies India provides for sugar and sugarcane.

I. Background

2. India maintains a series of measures and programs that support Indian producers of sugarcane and sugar. These measures and programs comprise domestic support, including price support, and export subsidies.

3. India provides domestic support in favour of producers of sugarcane and sugar through a series of measures that include, but are not limited to, the legal instruments, policies and other official documents identified in Section II of this request for consultations, whether operating separately or collectively. Australia recalls that India did not schedule a domestic support reduction commitment level in Section I of Part IV of its Schedule XII. Accordingly, under Article 6.4 of the Agreement on Agriculture, India's product-specific domestic support for sugarcane is limited to a de minimis level at or below 10 per cent of the value of production. Australia considers that the measures listed in Section II of this request for consultations are inconsistent with India's obligations under Articles 3.2, 6.3 and 7.2(b) of the Agreement on Agriculture because they provide domestic support for sugarcane in excess of India's de minimis entitlement.

4. India provides export subsidies for sugar or sugarcane through measures that include, but are not limited to, the legal instruments, policies and other official documents identified in Section III of this request for consultations, whether operating separately or collectively. Australia recalls that India has not scheduled export subsidy reduction commitments under Section II of Part IV of its Schedule XII pertaining to sugar or sugarcane that would permit it to use export subsidies. Accordingly, India may not provide export subsidies pertaining to sugar or sugarcane. Australia considers that the measures listed in Section III of this request for consultations provide export subsidies pertaining to sugar or sugarcane. Accordingly, these measures are inconsistent with India's export subsidy obligations under Articles 3.3, 8, 9.1 and 10.1 of the Agreement on Agriculture. Furthermore, Australia considers these subsides are inconsistent with India's obligations under Article 3 of the Agreement on Subsidies and Countervailing Measures.

II. Domestic Support Measures for Sugarcane and Sugar

5. Federal-level domestic support for sugarcane in the form of a mandatory minimum set price (the "Fair and Remunerative Price" (FRP)) that sugar mills in India are required to pay producers
of sugarcane for any sugarcane delivered to the mill as a result of, but not limited to, the following instruments:

   a)  Sections 3 and 7 of the Essential Commodities Act, 1955, as amended;

   b)  Sections 3, 3A, 4, 4A, and 5 of the Sugarcane (Control) Order, 1966, as amended;

   c)  Communications fixing the FRP for sugarcane, including but not limited to:

       o  Any communication by the Ministry of Consumer Affairs, Food & Public Distribution, Department of Food & Public Distribution or other agency of the Government of India that announces the FRP for sugarcane to be paid by sugar mills for the 2018-19 season;

       o  Ministry of Consumer Affairs, Food & Public Distribution communication "Cabinet approves determination of Fair and Remunerative Price payable by Sugar Mills for 2018-19 sugar season" of 18 July 2018, announcing a base FRP of Indian Rupee (INR) 2,750/ton (INR 275/quintal (qtl)) of sugarcane to be paid by sugar mills for the 2018-19 season;

       o  Communication No. 3(3)/2016-SP.II by the Ministry of Consumer Affairs, Food & Public Distribution, Department of Food & Public Distribution of 1 June 2017, announcing a base FRP of INR 2,550/ton (INR 255/qtl) of sugarcane to be paid by sugar mills for the 2017-18 season;

       o  Communication No. 3(7)/2015-SP.I by the Ministry of Consumer Affairs, Food & Public Distribution, Department of Food & Public Distribution of 12 April 2016, announcing a base FRP of INR 2,300/ton (INR 230/qtl) of sugarcane to be paid by sugar mills for the 2016-17 season;

       o  Communication No. 3(1)/2014-SP.II by the Ministry of Consumer Affairs, Food & Public Distribution, Department of Food & Public Distribution of 2 February 2015, announcing a base FRP of INR 2,300/ton (INR 230/qtl) of sugarcane to be paid by sugar mills for the 2015-16 season;

       o  Communication No. 3(3)/2013-SP.II by the Ministry of Consumer Affairs, Food & Public Distribution, Department of Food & Public Distribution of 14 February 2014, announcing a base FRP of INR 2,200/ton (INR 220/qtl) of sugarcane to be paid by sugar mills for the 2014-15 season;

       o  All other federal government communications, instruments, successor instruments and any amendments thereto that provide for a FRP for sugarcane for the 2014-15, 2015-16, 2016-17, 2017-18, 2018-19 seasons and subsequent seasons;

   d)  All Notifications fixing the FRP to be paid for sugarcane on a mill-specific basis, including but not limited to:

       o  Notification G.S.R. 1205(E) of the Ministry of Consumer Affairs, Food & Public Distribution, Department of Food & Public Distribution of 27 September 2017 fixing the FRP for the 2016-17 season;

       o  Notification G.S.R. 1204(E) of the Ministry of Consumer Affairs, Food & Public Distribution, Department of Food & Public Distribution of 27 September 2017, fixing the FRP for the 2015-16 season;

       o  Notification G.S.R. 142(E) of the Ministry of Consumer Affairs, Food & Public Distribution, Department of Food & Public Distribution of 17 February 2017, fixing the FRP for the 2015-16 season;
6. **State-level domestic support for sugarcane** in the form of a mandatory minimum set price (the "**State Advised Price**" (SAP)) that sugar mills located in the respective Indian states are required to pay producers of sugarcane in that state for any sugarcane delivered to the mill, as a result of, but not limited to, the following instruments:

   a) **Andhra Pradesh**:
      
      - The State Advised Price for Andhra Pradesh for the 2016-17 season;\(^1\)
      - The State Advised Price for Andhra Pradesh for the 2015-16 season;\(^2\)
      - The State Advised Price for Andhra Pradesh for the 2014-15 season;\(^3\)

   b) **Bihar**:
      
      - The Bihar Sugarcane (Regulation of Supply and Purchase) Act, 1981, as amended;
      - The State Advised Price in Bihar for the 2017-18 season;\(^4\)
      - The State Advised Price in Bihar for the 2016-17 season;\(^5\)
      - The State Advised Price in Bihar for the 2015-16 season;\(^6\)

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\(^2\) Ibid.

\(^3\) Ibid.

\(^4\) Referred to in 'Mills to buy sugar cane at higher prices this season', *Times of India*, 14 November 2018, accessible at [https://timesofindia.indiatimes.com/city/patna/mills-to-buy-sugar-cane-at-higher-prices-this-season/articleshow/61632790.cms].


\(^6\) Ibid.
c) Haryana:
   o The Punjab Sugarcane (Regulation of Purchase and Supply) Haryana Amendment Act, 2004, as amended;
   o The Haryana Sugarcane (Regulation of Supply and Purchase Rules, 1992, as amended;
   o The State Advised Price in Haryana for the 2016-17 season;
   o The State Advised Price in Haryana for the 2015-16 season;
   o The State Advised Price in Haryana for the 2014-15 season;

d) Karnataka:
   o The Karnataka Sugarcane (Regulation of Purchase and Supply) Act, 2013, as amended;

e) Maharashtra:
   o The Essential Commodities (Maharashtra Amendment) Act, 1975, as amended;
   o The Maharashtra Regulation of Sugarcane Price (Supplied to Factories) Act, 2013, as amended;

f) Punjab:
   o The Punjab Sugarcane (Regulation of Purchase and Supply) Act, 1953, as amended;
   o The Punjab Sugarcane (Regulation of Purchase and Supply) Rules, 1958, as amended;
   o The State Advised Price in Punjab for the 2016-17 season;
   o The State Advised Price in Punjab for the 2015-16 season;
   o The State Advised Price in Punjab for the 2014-15 season;

g) Tamil Nadu:
   o The Tamil Nadu Sugarcane (Regulation of Purchase Price) Act, 2018;
   o Notification G.O.(Ms).No.228 of the Agriculture (S1) Department of the Government of Tamil Nadu of 11 September 2018 that provides the date of entry into force of the Tamil Nadu Sugarcane (Regulation of Purchase Price) Act, 2018;

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7 Ibid.
8 Ibid.
9 Ibid.
10 Ibid.
11 Ibid.
12 Ibid.
13 Ibid.
o Notification G.O.(Ms).No.20 of the Agriculture (S1) Department of the Government of Tamil Nadu of 5 January 2017 that announces the State Advised Price for sugarcane to be paid by sugar mills in Tamil Nadu for the 2016-17 season;

o Notification G.O.(Ms).No.20 of the Agriculture (S1) Department of the Government of Tamil Nadu of 11 January 2016 that announces the State Advised Price for sugarcane to be paid by sugar mills in Tamil Nadu for the 2015-16 season;

o Notification G.O.(Ms).No.15 of the Agriculture (S1) Department of the Government of Tamil Nadu of 14 January 2015 that announces the State Advised Price for sugarcane to be paid by sugar mills in Tamil Nadu for the 2014-15 season;

h) Uttrakhand:

o The State Advised Price in Uttrakhand for the 2016-17 season;\(^{15}\)

o The State Advised Price in Uttrakhand for the 2015-16 season;\(^{16}\)

o The State Advised Price in Uttrakhand for the 2014-15 season;\(^{17}\)

i) Uttar Pradesh:

o The Uttar Pradesh (Regulation of Supply and Purchase) Act, 1953, as amended;

o The State Advised Price in Uttar Pradesh for the 2018-19 season;\(^{18}\)

o Notification No. 2489/46-3-17-3(48)/98-99 issued by Sugar Industry Section-3, Government of Uttar Pradesh, dated 26 October 2017, that establishes a State Advised Price for the 2017-18 season;

o The State Advised Price in Uttar Pradesh for the 2016-17 season;\(^{19}\)

o The State Advised Price in Uttar Pradesh for the 2015-16 season;\(^{20}\)

o The State Advised Price in Uttar Pradesh for the 2014-15 season;\(^{21}\)

j) Any and all other state level orders, acts or otherwise that regulate the purchase price for sugarcane, including announcements that fix the price of sugarcane in any of the above-mentioned states, and in the states of Gujarat, Madhya Pradesh, and


\(^{16}\)Ibid.

\(^{17}\)Ibid.

\(^{18}\)Ibid.


\(^{21}\)Ibid.
Telangana, including for the 2014-15, 2015-16, 2016-17, 2017-18, 2018-19 season and subsequent seasons.\(^{22}\)

7. **Federal-level domestic support for sugarcane and sugar** further includes the mandatory minimum price for sugar that Indian sugar mills are required to charge for sugar sold into the domestic Indian market (the "Maximum Selling Price" or "Minimum Sales Price" (MSP)), as a result of, but not limited to, the following instruments:

   a) Section 3 of the Essential Commodities Act 1955;

   b) Sugar (Control) Order, 1966, as amended;\(^{23}\)

   c) Sugar Price (Control) Order, 2018, as amended;\(^{24}\)

   d) All other instruments, successor instruments and any amendments thereto, that set, restate, reaffirm or otherwise provide for a minimum price for domestic sugar sales in India from 2016 onwards, including but not limited to:

   o Order S.O. 874 (E), Ministry of Consumer Affairs, Food & Public Distribution, Department of Food & Public Distribution of 14 February 2019 fixing the minimum selling price at INR 31/kilo;

   o Order S.O. 2346 (E), Ministry of Consumer Affairs, Food & Public Distribution, Department of Food & Public Distribution Order of 7 June 2018 fixing the minimum selling price at INR 29/kilo;\(^{25}\)

   e) All other instruments, successor instruments and any amendments thereto providing for a minimum price for sugar for the 2014-15, 2015-16, 2016-17, 2017-18, 2018-19 seasons and subsequent seasons.

8. **Federal-level domestic support for sugarcane**, in the form of production-based assistance to offset cane price arrears, involving budgetary outlays to support the production of, and the set prices for, sugarcane and sugar, as a result of, but not limited to, the following instruments:

   a) "Scheme for Assistance to Sugar Mills" for the 2018-19 sugar season, Notification No. 1(14)/2018-S.P.-I of the Ministry of Consumer Affairs, Food & Public Distribution, Department of Food & Public Distribution of 5 October 2018;

   b) "Scheme for Assistance to Sugar Mills" for the 2017-18 sugar season (INR 55/ton (INR 5.5/qtl), Notification No. 1(5)/2018-S.P.-I of the Ministry of Consumer Affairs, Food & Public Distribution, Department of Food & Public Distribution of 9 May 2018, and Notification No. 1(5)/2018-S.P.-I of 16 August 2018;\(^{26}\)

   c) Production Subsidy for the 2016-17 sugar season to sugar mills to offset cost of cane and support cane price;\(^{27}\)

\(^{22}\) Ibid. \\
\(^{23}\) Reflected in Gazette of India Extraordinary, Part II, Section 3, Sub-section (i), Ministry of Food, Agriculture, Community Development and Cooperation Order, G.S.R. 912/Ess.Com./Sugar, (No. 1-9/66-SPY), 10 June 1966. \\
\(^{24}\) Reflected in Gazette of India Extraordinary, Part II, Section 3, Sub-section (ii), Ministry of Consumer Affairs, Food & Public Distribution, Department of Food & Public Distribution Order, S.O. 2345 (E), F. No. 1(6)/2018-SP-I, 7 June 2018. \\
\(^{25}\) Providing that "(a) no producer of sugar shall sell or agree to sell or otherwise dispose off [sic] or deliver or agree to deliver white sugar or refined sugar in the domestic market or remove white sugar or refined sugar from the godowns of the factory in which it is produced for sale in the domestic market, at a rate below rupees twenty-nine per kilogram till further orders;"

\(^{26}\) Reflected in Ministry of Consumer Affairs, Food Affairs Press Release, 'Sugar Industry', 31 July 2018: "Provided Assistance to sugar mills @Rs.5.50/quintal of cane crushed for sugar season 2017-18 to offset the cost of cane amounting to about Rs.1540 crore".

\(^{27}\) Reflected in Ministry of Consumer Affairs, Food and Public Distribution, Budget allocation to 31 March 2016, "Production Subsidy to Sugar Mills to offset cost of cane and facilitate timely payment of cane price dues
d) Production Subsidy Scheme for the 2015-16 sugar season, Notification No. 20(43)/2015-S.P.-1 of the Ministry of Consumer Affairs, Food & Public Distribution, Department of Food & Public Distribution, of 2 December 2015, providing cash grants of INR 45/ton (INR 4.5/qtl) of cane crushed to pay farmers, via the Sugar Development Fund (SDF);

e) Production Subsidy for the 2014-15 sugar season, providing cash grants to pay farmers paid directly to farmers on behalf of mills;

f) All other instruments, successor instruments and any amendments thereto providing for production-based assistance to sugar or sugarcane for the 2014-15, 2015-16, 2016-17, 2017-18, 2018-19 seasons and subsequent seasons.

9. **Federal-level programs and measures making available subsidised loans to offset cane price arrears**, to support the production of, and the set prices for, sugarcane and sugar, as a result of, but not limited to, the following instruments:

a) Federal-level Soft Loan for 2014-15, making loans available to sugar mills to facilitate clearance of cane price arrears and support the cane price, with subvention of interest by the Government of India up to 10 per cent, with a 1-year moratorium, including:

   o Notification No. 1(5)/2015-S.P.-1 of the Ministry of Consumer Affairs, Food & Public Distribution, Department of Food & Public Distribution of 23 June 2015;

   o Notification No. 1(7)/2015-S.P.-1. of the Ministry of Consumer Affairs, Food & Public Distribution, Department of Food & Public Distribution of 1 August 2015;

   o Notification No. 1(7)/2015-S.P.-1. of the Ministry of Consumer Affairs, Food & Public Distribution, Department of Food & Public Distribution of 5 October 2015;


c) Any loans granted at subsidised interest rates under Sections 4 and 5 of the Sugar Development Fund Act 1982, as amended, and the Sugar Development Fund Rules 1983, as amended;

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28 Including disbursements made to September 2016 and beyond, referred to on Department of Food & Public Distribution web site, "Production subsidy: Since the production subsidy scheme was withdrawn before time, the Central Government has decided to disburse the performance based production subsidy for cane crushed during 2015-16 sugar season till the tenancy of the scheme vide notification dated 12.09.2016. Under the scheme, so far Rs. 520 crores have been disbursed as production subsidy to 213 sugar mills...", available at <https://dfpd.gov.in/sugar.htm>. See also Notification 20(43)/2015-S.P.-1 of the Ministry of Consumer Affairs, Food & Public Distribution, Department of Food & Public Distribution, of 19 May 2016.

29 Reflected in `Direct subsidy to sugarcane growers`, Cabinet Committee on Economic Affairs (CCEA) Press Release, 18 November 2015. "To further help the industry clear cane dues arrears, the Government has disbursed soft loans to the extent of Rs. 4,047 crore. To ensure that farmers are paid their dues expeditiously, the financial assistance has been passed on directly to the cane growers by the banks after obtaining the list from the mills. Furthermore, the Government has provided one year moratorium on this loan, and will bear the interest subvention cost to the extent of Rs. 600 crore for the said period."
d) All other instruments, successor instruments and any amendment thereto at the federal level that provide for loans to sugar or sugarcane producers at subsidised interest rates to offset cane price arrears, for the 2014-15, 2015-16, 2016-17, 2017-18, 2018-19 seasons and subsequent seasons.

10. **Federal and state-level measures providing financial assistance towards the maintenance of stocks for sugar**, including budgetary outlays to offset cost of cane and support cane price, including but not limited to, through:

a) Sugar (Control) Order 1966, clause 5, directing quantities that may be held by dealers of sugar;

b) "Scheme for Creation and Maintenance of Buffer Stock", notified in:
   - Order F. No. 5-1/2018-Sugar Control of Ministry of Consumer Affairs, Food & Public Distribution of 31 January 2019;
   - Notification No. 1(6)/2018-SP-I of the Ministry of Consumer Affairs, Food & Public Distribution, Department of Food & Public Distribution of 31 December 2018 notifying a change to the Scheme for Creation and Maintenance of Buffer Stock;
   - Order F. No. 5-1/2018-Sugar Control of Ministry of Consumer Affairs, Food & Public Distribution of 28 December 2018;
   - Order F. No. 5-1/2018-Sugar Control of Ministry of Consumer Affairs, Food & Public Distribution of 30 November 2018;
   - Order F. No. 5-1/2018-Sugar Control of Ministry of Consumer Affairs, Food & Public Distribution of 31 October 2018;
   - Order F. No. 5-1/2018-Sugar Control of Ministry of Consumer Affairs, Food & Public Distribution of 28 September 2018;
   - Order F. No. 5-1/2018-Sugar Control of Ministry of Consumer Affairs, Food & Public Distribution of 31 August 2018;
   - Order F. No. 5-1/2018-Sugar Control of Ministry of Consumer Affairs, Food & Public Distribution of 30 July 2018;
   - Order of Ministry of Consumer Affairs, Food & Public Distribution of 29 June 2018, allocating of 30 Lakh MT (3 million metric tons) of buffer stock;
   - Notification No. 1(6)/2018-SP-I of the Ministry of Consumer Affairs, Food & Public Distribution, Department of Food & Public Distribution of 15 June 2018;
   - Order F. No. 5-1/2018-Sugar Control of Ministry of Consumer Affairs, Food & Public Distribution of 7 June 2018;
   - Order G.S.R.1069(E), F. No. 1(6)/2016-SP-1 of Ministry of Consumer Affairs, Food & Public Distribution of 28 August 2017;
   - Order S.O.3348(E) of the Ministry of Consumer Affairs, Food & Public Distribution, Department of Food & Public Distribution of 28 October 2016;
   - Order F. No. 1(6)/2016-S.P.-1 of Ministry of Consumer Affairs, Food & Public Distribution of 8 September 2016;
Order G.S.R. 471(E) of Ministry of Consumer Affairs, Food & Public Distribution of 29 April 2016;

c) Various forms of assistance subsidies, subsidised loans and other subsidies specifically provided to producers of sugarcane and sugar for the maintenance of buffer stocks by the Indian states of Andhra Pradesh, Bihar, Gujarat, Haryana, Karnataka, Madhya Pradesh, Maharashtra, Punjab, Tamil Nadu, Telangana, Uttar Pradesh, and Uttarakhand; and

d) All other instruments, including all successor instruments and any amendments thereto, providing product-specific domestic support for sugarcane through non-exempt direct payments or any other subsidy not exempted from reduction commitments whether provided by the federal government or any of the individual states, for the 2014-15, 2015-16, 2016-17, 2017-18, 2018-19 seasons and subsequent seasons.

11. State-level support such as cash grants, production-based cash grants, interest waivers, share capital contributions, loans extended from state treasuries, default guarantees on loans, deferral of purchase taxes, low-interest loans (including to pay the difference between the FRP and the SAP), debt restructuring and exemptions of sugar from local taxes and fees, including but not limited to:

a) Bihar:

   o The Chief Ministers Sugarcane Development Scheme in the State of Bihar which provides subsidies for the purchase and transportation of registered seed of sugarcane for the 2017-18 season;

   o Notification dated 2 August 2017 issued by Department of Industrial Unit, Government of Bihar, which reduces the rate of commission to be paid by sugar mills on the purchase of sugarcane for the 2016-17 season;

   o Notification dated 17 May 2018 issued by Department of Industrial Unit, Government of Bihar, which reduces the rate of commission to be paid by sugar mills on the purchase of sugarcane for the 2017-18 season;

   o Notification dated 17 May 2018 issued by Department of Industrial Unit, Government of Bihar, which exempts sugar mills from payments of certain taxes for the 2017-18 season;

b) Gujarat:

   o Scheme-1-180618 of the Sugar Regulatory Authority, Government of Gujarat, providing for liquidity support to sugar cooperatives for the 2018-19 season;

   o Scheme-3-180618 of the Sugar Regulatory Authority, Government of Gujarat, providing funds to sugar mills for the 2018-19 season;

   o Scheme-4-180618 of the Sugar Regulatory Authority, Government of Gujarat, providing for a liquidity support loan to sugar mills for the 2018-19 season;

c) Haryana:

   o Haryana financial assistance (subsidy and soft loans) of INR 16/qtl; 30

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d) Maharashtra:
   o Notification No. SCPT-1117/CR-03/Taxation-3 of the Finance Department, Government of Maharashtra of 19 April 2017, which exempts sugar factories from payments of certain taxes for the 2016-17 season;
   o Notification dated 16 November 2016 issued by the Department of Agriculture, Government of Maharashtra providing for a soft loan scheme for sugarcane farmers in the State of Maharashtra;
   o Funds provided by the State of Maharashtra in connection with drip and micro irrigation of sugarcane, including but not limited to:
     - Notification dated 31 July 2018 issued by the Department of Agriculture, Government of Maharashtra;
     - Notification dated 12 September 2018 issued by the Department of Agriculture, Government of Maharashtra;
     - Notification dated 24 July 2017 issued by the Department of Agriculture, Government of Maharashtra;
     - Notification dated 6 October 2016 issued by the Department of Agriculture, Government of Maharashtra;

e) Tamil Nadu:
   o Order G.O.(Ms). No.230 of the Agriculture (S1) Department of the Government of Tamil Nadu of 17 September 2018 that provides for payments to offset the difference between the SAP and the federal FRP for the 2017-18 season;
   o Order G.O.(Ms). No.191 of the Agriculture (S1) Department of the Government of Tamil Nadu of 24 July 2018 that provides for payments to offset the difference between the SAP and the federal FRP for the 2017-18 season;

f) Uttar Pradesh:
   o Notification dated 24 September 2015 issued by Sugar Industrial Unit, Government of Uttar Pradesh, providing for a scheme for easing dues on sugarcane farmers for the 2014-15 season;
   o Notification dated 21 March 2018 issued by Sugar Industrial Unit, Government of Uttar Pradesh, providing for funds for drip irrigation during the 2016-17 season;
   o Notification dated 15 November 2017 issued by Cane Development & Sugar Industry, Government of Uttar Pradesh, waiving the guarantee fee payable by certain sugar mills on government guarantees;
   o Uttar Pradesh subsidy of INR 45/ton (4.5/qtl).\(^{31}\)

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\(^{31}\) Referred to in ‘Sweet & Sour: UP offers Rs 4000 crore loan, subsidy to clear cane dues’, Financial Express, 26 September 2018: “the soft loans will be provided through banks and other financial institutions on an interest rate of 5% for five years to all those sugar mills that have paid at least 30% of their total cane dues.” available at <https://www.financialexpress.com/industry/sweet-sour-up-offers-rs-4000-crore-loan-subsidy-to-clear-cane-dues/1326772/>. 
o Uttar Pradesh below-market loans to farmers;\textsuperscript{32}

o Waiver of interest and/or penalties on late payment by millers to farmers for sugarcane;\textsuperscript{33}

g) Various other forms of assistance subsidies, subsidised loans and other subsidies specifically provided to producers of sugarcane and sugar by any of the above-mentioned states as well as the states of Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh, Punjab, Telangana and Uttararakhand, for the 2014-15, 2015-16, 2016-17, 2017-18, 2018-19 seasons and subsequent seasons.\textsuperscript{34}

h) In addition to the measures identified in paragraphs 8 to 11, the measures covered by this request for consultations include any amendments to any of the measures listed in paragraphs 8 to 11 above, or related, successor, replacement or implementing measures thereto.

III. Export Subsidies for Sugar

12. Federal-level measures which provide subsidies to sugarcane and sugar producers contingent upon export performance, including, but not limited to, the following:

a) Minimum Indicative Export Quotas ("MIEQ") that operate in conjunction with the other measures identified in this paragraph to require mills to export certain quantities of sugar as a condition for the grant or maintenance of a subsidy. The instruments establishing the MIEQ arrangements require that sugar mills which fail to export the MIEQ allocated to them shall be deemed to be violating the directives of the Government issued under clause 5 of the Sugar (Control) Order, 1966. Instruments establishing or evidencing MIEQ arrangements include, but are not limited to, the following:

- Notification No. 1(4)/2018-SP-I of the Ministry of Consumer Affairs, Food and Public Distribution, Department of Food and Public Distribution, communication to sugar mills of 12 October 2018;

- Notification No. 1(4)/2018-SP-I of the Ministry of Consumer Affairs, Food & Public Distribution, Department of Food & Public Distribution of 28 September 2018, which allocates factory-wise minimum indicative export quotas for the 2018-19 season;

- Notification No. 1(4)/2018-SP-I of the Ministry of Consumer Affairs, Food & Public Distribution, Department of Food & Public Distribution of 23 September 2018 concerning the allocation of minimum indicative export quotas for the 2018-19 season;


Referring to the https://www.financialexpress.com/article/industry/sweet-sour-up-offers-rs-4000-crore-loan-subsidy-to-clear-cane-dues/1326772/.

\textsuperscript{32} Referred to in ‘Sweet & Sour: UP offers Rs 4000 crore loan, subsidy to clear cane dues’, Financial Express, 26 September 2018 at <https://www.financialexpress.com/industry/sweet-sour-up-offers-rs-4000-crore-loan-subsidy-to-clear-cane-dues/1326772/>.


23 August 2018, which makes certain amendments to Notification No. 1(4)/2018-SP-I of 9 May 2018;

- Notification No. 1(4)/2018-SP-I of the Ministry of Consumer Affairs, Food & Public Distribution, Department of Food & Public Distribution of 9 May 2018, which revises the allocation of minimum indicative export quotas for the 2017-18 season;

- Notification No. 1(4)/2018-SP-I of the Ministry of Consumer Affairs, Food & Public Distribution, Department of Food & Public Distribution of 28 March 2018, which allocates factory-wise minimum indicative export quotas for the 2017-18 season;

- Cabinet Committee on Economic Affairs (CCEA) Press Release of 18 November 2015;

- Order F. No. 1(10)/2015-SP-I of Ministry of Consumer Affairs, Food and Public Distribution, Department of Food and Public Distribution, communication to sugar mills, of 18 September 2015;

b) "Scheme for Assistance to Sugar Mills" reflected in:

- for the sugar season 2018-19, Notification No. 1(14)/2018-S.P.-I of the Ministry of Consumer Affairs, Food & Public Distribution, Department of Food & Public Distribution of 5 October 2018;

- Notification No. 1(5)/2018-S.P.-I of the Ministry of Consumer Affairs, Food & Public Distribution, Department of Food & Public Distribution of 16 August 2018;

- for the season 2017-18, Notification No. 1(5)/2018-S.P.-I of the Ministry of Consumer Affairs, Food & Public Distribution, Department of Food & Public Distribution of 9 May 2018;

c) Production Subsidy Scheme for the sugar season 2015/16, Notification No. 1(5)/2018-S.P.-I of the Ministry of Consumer Affairs, Food & Public Distribution, Department of Food & Public Distribution, providing cash grants of INR 45/ton (INR 4.5/qtl) of cane crushed to pay farmers, via the Sugar Development Fund (SDF), of 2 December 2015;

d) "Scheme for Creation and Maintenance of Buffer Stock", reflected in:

- Notification No. 1(6)/2018-SP-I of the Ministry of Consumer Affairs, Food & Public Distribution, Department of Food & Public Distribution of 31 December 2018 notifying a change to the Scheme for Creation and Maintenance of Buffer Stock so that sugar mills must fully comply with directives, (including relating to the MIEQ);

- Order No. 1(6)/2018-SP-I of the Ministry of Consumer Affairs, Food & Public Distribution, Department of Food & Public Distribution, of 29 June 2018 allocating 30 Lakh MT (3 million metric tons) of buffer stock;

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35 Reflected in Gazette of India Extraordinary Part-1, section-1, Notification No. 20(43)/2015-S.P.-I Ministry of Consumer Affairs, Food & Public Distribution, Department of Food & Public Distribution dated 2 December 2015; and including disbursements made to September 2016 and beyond, referred to on Department of Food & Public Distribution web site, "Production subsidy: Since the production subsidy scheme was withdrawn before time, the Central Government has decided to disburse the performance based production subsidy for cane crushed during 2015-16 sugar season till the tenancy of the scheme vide notification dated 12.09.2016. Under the scheme, so far Rs. 520 crores have been disbursed as production subsidy to 213 sugar mills...", available at <https://dfpd.gov.in/sugar.htm>.
13. **State-level export subsidies for sugar** which make the provision of financial support to sugar mills contingent upon export performance including, but not limited to, instruments which provide for:

a) Any subsidies contingent on export provided to producers of sugarcane and sugar by the Indian states of Andhra Pradesh, Bihar, Gujarat, Haryana, Karnataka, Madhya Pradesh, Maharashtra, Punjab, Tamil Nadu, Telangana, Uttar Pradesh, and Uttarakhand; including production-based cash grants, interest waivers, share capital contribution, loans extended from state exchequer, default guarantee on loans, and deferral of purchase tax, debt restructuring and exemption of exported sugar from local taxes and fees;\(^{37}\)

b) All other instruments, including all successor instruments and any amendments thereto, providing state-level subsidies contingent on export performance to sugar mills.

14. **Federal-level assistance and export incentives**, including under Sugar Rules / Sugar Development Fund (SDF) Rules rule 20B\(^{38}\) as amended (also referred to as the Raw Sugar Export Incentive Scheme),\(^{39}\) including, but not limited to:


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\(^{37}\) Similar to exported sugar exemption from local taxes and fees imposed on domestic sugar to value of INR 950 per ton (2006 – 2008).


\(^{39}\) Reflected in Ministry of Consumer Affairs, Food and Public Distribution, Department of Food and Public Distribution 'Sugar and Sugarcane Policy', "Provided financial assistance through 'raw sugar export incentive scheme'. Rs. 425 crore was disbursed under the scheme", available at <https://dfpd.gov.in/sugar-sugarcane-policy.htm>.

\(^{40}\) Providing at sub-rule (4): "the incentive shall be at the rate of rupees three thousand three hundred per metric tonne for April-May,2014, rupee three thousand three hundred per metric tonne for June-July,2014, and rupees three thousand three hundred seventy one per metric tonne for the current sugar season 2014-15(October, 2014-September, 2015)."
b) Export Incentive of INR 4,000 per ton (approximately 21 per cent of the world raw sugar price) for an additional 1.4 million tons above earlier seasons (19 February 2015);\(^{41}\)

c) Export Incentive of INR 3,371 per ton (August – September 2014);

d) Export Incentive of INR 2,277 per ton (April – May 2014);

e) Export Incentive of INR 3,300 per ton (3 March – 31 July 2014) (indicating eligibility would be contingent on production and export of sugar);\(^{42}\)


g) All other instruments, including all successor instruments and any amendments thereto, providing for export incentives for sugar.

15. **Freight assistance**, including under the Sugar Development Fund (SDF) Rules rule 20A,\(^{44}\) as well as but not limited to:

a) Federal-level freight assistance, including the "Scheme for defraying expenditure towards internal transport, freight, handling and other charges on export", reflected in:

- Notification F. No. 1(14)/2018-SP-I of Ministry of Consumer Affairs, Food and Public Distribution, Department of Food and Public Distribution of 5 October 2018, providing INR 1,000/ton for mills located within 100 kilometers (km) from ports; INR 2,500/ton for mills beyond 100km from the port in coastal states; and INR 3,000/ton for mills in other than coastal states or actual expenditure, whichever is lower. It appears this is to be credited directly to the farmers on behalf of mills, to support the cane price.\(^{45}\)


b) State-level freight assistance, including state transportation payments for internal or international transport or freight, and measures in addition to federal SDF subsidy.\(^{46}\)

16. In addition to the measures identified in paragraphs 12 to 15, the measures covered by this request for consultations include any amendments, related, successor, replacement or implementing measures to any of the measures listed in paragraphs 12 to 15 above.

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\(^{41}\) Cabinet Committee on Economic Affairs (CCEA) Press Release, 18 November 2015.

\(^{42}\) Cabinet Committee on Economic Affairs (CCEA) Press Release, 18 November 2015, "To improve liquidity of sugar mills and facilitate payment of cane dues arrears, the Government had increased the export incentive on raw sugar from Rs 3300/MT to Rs. 4000/MT in the sugar season 2014-15."

\(^{43}\) Providing "the incentive shall be at the rate of Rupees three thousand three hundred per metric tonne for February and March, 2014 and, thereafter, be recalculated every two months after taking into account the average exchange rate of Rupee vis-à-vis USD...".


\(^{45}\) Referring to 'Cabinet approves comprehensive policy to deal with excess sugar production in the country', Cabinet Committee of Economic Affairs (CCEA) Press Release, 26 September 2018.

IV. Failure to Notify

17. Failure to notify domestic support for sugarcane and sugar, or inadequate notification of such domestic support, subsequent to 1995-96.

V. Legal Basis for Australia’s Complaint

18. Australia considers that India’s measures are inconsistent with India's obligations under the covered agreements, in particular:

   a) Articles 3.2, 3.3, 6.3, 7.2(b), 8, 9.1, 10, 18.2 and 18.3 of the Agreement on Agriculture;

   b) Articles 3 and 25 of the Agreement on Subsidies and Countervailing Measures; and


19. Australia considers the measures identified in paragraphs 5 – 11 are inconsistent with Articles 3.2, 6.3, and 7.2(b) of the Agreement on Agriculture. India did not schedule a domestic support reduction commitment level in Section I of Part IV of its Schedule XII, and the amount of support to agricultural producers is in excess of India’s product-specific de minimis level of 10 per cent for sugarcane.

20. Australia considers the measures identified in paragraphs 12 – 15 are inconsistent with Articles 3.3 and 8 of the Agreement on Agriculture because those measures appear to be export subsidies. India has not scheduled export subsidy reduction commitments in Section II of Part IV of its Schedule XII. These measures appear to be inconsistent with Article 10.1 of the Agreement on Agriculture. India also appears to be in breach of Articles 18.2 and 18.3 of the Agreement on Agriculture because India has not included sugarcane in any of its annual domestic support notifications subsequent to 1995-96.

21. Australia considers the measures identified in paragraphs 12 – 15 are inconsistent with India’s obligations under Article 3 of the Agreement on Subsidies and Countervailing Measures because they are prohibited subsidies. For the avoidance of doubt, Australia considers that India cannot rely on the provisions of Article 27 of the Agreement on Subsidies and Countervailing Measures with respect to its obligations under Article 3. Australia also considers that India has acted inconsistently with Article 25 of the Agreement on Subsidies and Countervailing Measures because India has failed to notify its subsidies for sugarcane and sugar, including with respect to the measures identified in this request.

22. Australia considers that India has acted inconsistently with Article XVI of the General Agreement on Tariffs and Trade 1994 because India has granted and maintained subsidies, including price support, which operate directly or indirectly to increase exports of sugar from India, and India has not complied with the requirement to notify the Member States in writing.

23. In accordance with Article 4.2 of the Agreement on Subsidies and Countervailing Measures, a statement of available evidence is annexed to this request.

VI. Concluding Remarks

24. We look forward to receiving your reply to this request and to fixing a mutually convenient date for consultations, with a view toward resolving this dispute.
Statement of Available Evidence under Article 4.2

This statement of evidence available to Australia at the time of filing relates to the nature and existence of measures adopted or maintained by India that appear to be prohibited subsidies contingent upon export performance inconsistent with Article 3 of the Agreement on Subsidies and Countervailing Measures.

1) Notification No. 1(4)/2018-SP-I of the Ministry of Consumer Affairs, Food and Public Distribution, Department of Food and Public Distribution, communication to sugar mills, of 12 October 2018.


3) 'Cabinet approves comprehensive policy to deal with excess sugar production in the country', Cabinet Committee of Economic Affairs (CCEA) Press Release, 26 September 2018.


8) 'Direct subsidy to sugarcane growers', Cabinet Committee on Economic Affairs (CCEA) Press Release of 18 November 2015.

9) Order F. No. 1(10)/2015-SP-1 of Ministry of Consumer Affairs, Food and Public Distribution, Department of Food and Public Distribution, communication to sugar mills of 18 September 2015.


15) Notification No. 1(6)/2018-SP-I of the Ministry of Consumer Affairs, Food & Public Distribution, Department of Food & Public Distribution of 31 December 2018 notifying a change to the Scheme for Creation and Maintenance of Buffer Stock so that sugar mills must fully comply with directives, (including relating to the MIEQ).


18) Notification No. 57/2015-2020 of the Ministry of Commerce and Industry, Department of Commerce, Directorate General of Foreign Trade of 28 March 2018, notifying a Duty-free
Import Authorisation (DFIA) scheme for raw sugar imported in the 2019–20 and 2020–21 sugar seasons, for mills which have exported white/refined sugar during the 2017–18 sugar season.


