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Unequal Grounds: Dairy Subsidies and Sustainability Rhetoric Against Developing Nations

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Introduction

The global trade architecture champions free trade and open markets, yet the agricultural sectors in developed economies are often protected by direct and indirect support and insurance. The agricultural sectors in developing economies are often marred by the excessive power of developed economies to gain market access. The current narrative unfairly assumes that the subsidies in developing nations are detrimental to a "level playing field." This perspective article refutes the prevailing narrative, demonstrating it is grounded in a selective and misleading interpretation of economic reality. Drawing on evidence, this article argues that the demand of the United States for the unconstrained access to India's dairy and farm sectors exemplifies this asymmetry. This is a covert effort, disguised as free trade, to dismantle India's domestic livelihood-based economy and replace it with an export-oriented, industrialised model. The piece will critique the underlying hypocrisy of developed nations' subsidy regimes and propose an equitable framework aligned with developmental realities.

Mapping the Current Narrative: A Unilateral Demand for Access

The recent U.S. tariffs on Indian goods (Al Zazeera, 2025; NPR, 2025; Reuters, 2025) signal a profound trade collapse, primarily centred on agriculture (dairy and farm produce). The United States demands that India dismantle "market distorting subsidies," arguing that this creates an unfair competitive advantage and justifies retaliatory tariffs. This resurfaced conflict is driven by

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the strategic imperative of highly subsidised U.S. dairy farmers to access India's large, growing market (McKinsey, 2024; US Gao, 2025). This logjam (Economist, 2025) pits U.S. demand for market access against India's unwavering defence of its millions of small-scale producers (TOI, 2025; Reuters, 2025). The prevailing story wrongly projects India as a protectionist outlier and the United States as a champion of open markets.

Deconstructing the Narrative: The Hypocrisy of Subsidies and Sustainability

The discourse of free trade, however, flops under scrutiny. It is straightway a hypocrisy. The United States calls for a level playing field without first levelling their own. The agriculture sector in the developed world, particularly in the United States and the European Union, receives an enormous amount in subsidy. Turning a blind eye to this fact, the United States blames Indian subsidies for distorting the market.

According to a report, the quantum of support to agriculture given by OECD countries far exceeds the support provided to farmers in developing nations (OECD, 2024). In the United States, the direct price supports of the 1990s have been replaced by its current system, which is a more sophisticated and often more wicked form of intervention. Dairy Margin Coverage and other forms of insurance shield American farmers from market volatility (USDA, 2025). The subsidised crop irrigation and energy lower the cost of inputs, which make American produce artificially competitive for the global market. The subsidies in developed nations, particularly those linked to production, continue to exert a powerful trade-distorting effect on global markets (Laborde et al., 2025; Anderson & Nelgen, 2012a &b).

An important study (IMF, 2024) on agricultural subsidies in developed nations establishes that subsidies inflate domestic production and suppress global prices, making it exceedingly difficult for unsubsidised or less-subsidised farmers in developing nations to compete. The Indian farmers operate at a much smaller scale than their counterparts in United States. The agriculture sector in the United States is industrialised and backed by state support. Instead of being a level playing field, it is a field tilted dramatically in favour of the developed world.

This economic hypocrisy is often concealed in the garb of sustainability. Developed nations frequently criticise developing countries for farming practices that are deemed unsustainable, such as the use of certain pesticides or fertilisers. They ignore the carbon footprint of their own heavily subsidised, large-scale, and energy-intensive agriculture. The carbon footprint of India's decentralised, community-based milk production system is significantly less than that of a highly mechanised U.S. dairy operation that is dependent on a long supply chain. The opening of India's market in the name of free trade may, in reality, replace a more socially and environmentally integrated system with a less sustainable, albeit more "efficient," industrial one. The economic and environmental model of the United States will not suit India, which has a vastly different

social and economic structure. Only a global re-imagining can align agricultural subsidies with genuine sustainability and development goals (Cahill, 2024).

For the millions of small and marginal farmers in India, agriculture is a way of life. Generations depended on agriculture for their livelihood. Protecting the dairy and farm sectors is not merely an economic issue for India; the social and political stability depends on it. In the dairy sector, there are many women who manage a few cows and supply milk to local cooperatives. The introduction of cheap, heavily subsidised, mass-produced American dairy products may cause mass displacement and social disruption by lowering prices. It may also damage the entire economic ecosystem. For India, the policies must not only protect the market in the traditional sense but also preserve the very fabric of its rural society (dairynews7x7.com).

To safeguard India's deeply sensitive socio-economic fabric, the government has traditionally resisted foreign demands to allow imports of dairy products. The U.S. dairy industry, consisting of milk derived from animal-based feed and genetically modified organisms used in cattle nutrition, has been targeting the Indian dairy sector that supports over 80 million rural households. These practices are not acceptable to the culturally and ethically sensitive large vegetarian population who will shun adopting "non-veg milk." For us, the cow is worshipped as a sacred animal and treated as a member of a farmer's family. Dairy is more of a social contract and less of a business. The Indian consumer will get upset even with the thought of animal waste as cattle feed. Nevertheless, this issue was aggressively sensationalised across news channels for gaining viewership.

A New Framework for a Fair Global Trade Order

The current WTO integrated trade framework is grossly unfit to handle the 21st-century complexities and asymmetries of agricultural trade between developed and developing nations. The existing rules often disproportionately favours the industrialised agricultural models of the North while penalising the livelihood-based systems of the South. A more equitable and sustainable global trade order requires a fundamental re-configuring of the framework. It should acknowledge the developmental rights of nations and differentiate between types of agricultural support.

First, the developing nations, like India, must challenge the prevailing definition of "market-distorting subsidies." A new framework should differentiate between two types of subsidies: trade-distorting subsidies (e.g., U.S. export assistance and direct payments) and livelihood-sustaining subsidies that are essential for food security and poverty alleviation in developing nations. The IMF (2024) note on agricultural subsidies provides grounds to argue that in the context of the developing world, these subsidies are not market distortions but are a necessary and justifiable tool to maintain social welfare and economic stability.

Second, through a fresh trade dialogue, the United States must be obligated to admit the true impact of its own agricultural support, including indirect subsidies and insurances. The discussions, based on a collaborative approach, must prioritise transparency and a shared understanding of varied national realities. A multilateral dialogue, rather than unilateral tariff impositions, is the only way forward.

Third, sustainability should not be used as a tool for market access; it should be a platform for cooperation. Instead of demanding that India dismantle its rural economic model, developed nations should collaborate on improving sustainable agricultural practices suitable for a small-holder. The move could encourage technology transfer, shared research and development on climate-resilient crops, and investment in rural infrastructure that genuinely benefits small-scale, local producers. The capacity-building approach of the World Bank's National Dairy Support Project (2023) in India is a model case.

The WTO's Agreement on Agriculture (AoA), considered outdated, requires a significant recast to properly balance the social, developmental, and environmental costs of agricultural liberalisation. The attempt by United States to access the Indian dairy market exemplifies a broader systemic flaw in the pact, which has led to numerous mediated disputes (WTO, 2024). India is pushing for a fairer, more just global trade system. Crucially, a reformed AoA must accommodate national food security and protection of rural livelihood as non-negotiable imperatives for developing economies.

Conclusion

The United States demand for market access to India's dairy and farm sectors primarily serves as strategic communication designed to obscure significant economic asymmetries. The claim of establishing a "level playing field" is inconsistent, as it deliberately overlooks the entrenched and highly effective subsidy regimes maintained by developed nations. The resistance by the Indian government is not mere protectionism; it is a principled defence of the dignity and essential livelihood of its small farmers, critical for the nation's overall social and economic stability. Therefore, a new global trade order must move beyond the current rhetoric. It must adopt a framework founded on justice, equity, and a sincere commitment to sustainable and inclusive development. It is time to create a new, equitable set of rules for this fundamentally unequal game.

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Kuldeep Sharma, an NDRI alumnus, is known for his research-driven contributions to India's dairy sector. He has collaborated with global bodies like IFCN, Germany on studies defining optimal dairy farm structures for India and contributed to key FSSAI national milk adulteration surveys and food safety regulations. He founded Safe Labs, an NABL-accredited research and testing facility, and created powerful knowledge platforms such as Dairy Pulse, Dairynews7x7, and its YouTube channel, making high-quality dairy research, analysis, and industry intelligence accessible to stakeholders across the world.

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