Indian Economy · GS - III

How do fluctuations in global agricultural commodity prices affect farmers, food security and the Indian economy? Discuss the measures India can adopt to reduce the risks associated with global price volatility.

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 04/11/2026	GS - III	Indian Economy

MARKS	WORD LIMIT
10	~150 words

Answer Hint

Global supply and demand, international trade, farm incomes, inflation, food security, minimum support price, buffer stocks, export diversification, agricultural productivity, risk management

Model Answer

Introduction

Global agricultural commodity prices fluctuate due to changes in crop yields, weather conditions, export demand, input costs and international competition. These fluctuations influence agricultural incomes and food markets.

Impact on Farmers and the Economy

Falling international prices can reduce export earnings and farm incomes, particularly when domestic producers face high input costs. Conversely, rising prices can increase cultivation costs and food inflation. Price volatility also affects agricultural trade balances, government procurement and fiscal expenditure.

Implications for Food Security

Lower prices can improve affordability for consumers, but prolonged price declines may discourage investment by farmers. Sudden price increases can reduce access to essential food commodities among vulnerable households.

Measures to Reduce Vulnerability

India should improve irrigation, storage, transport and agricultural productivity to strengthen resilience. Diversifying crops and export markets can reduce dependence on individual commodities or destinations. Efficient minimum support price operations, buffer stocks, market information systems and crop insurance can help manage risks. Better weather forecasting and access to futures markets can further improve farmers' decisions.

Conclusion

A combination of productive agriculture, diversified trade, effective safety nets and transparent markets can help India balance farmers' interests, consumer affordability and long-term food security.