Indian Economy · GS - III

How do subsidies affect the cropping pattern, crop diversity and economy of farmers? What is the significance of crop insurance, minimum support price and food processing for small and marginal farmers?

EXAM YEAR	PAPER	SUBJECT
2017	GS - III	Indian Economy

MARKS	WORD LIMIT
15	~250 words

Answer Hint

Input subsidies; cropping incentives; crop diversity; farmer income; crop insurance; minimum support price; value addition

Model Answer

Introduction

Agricultural subsidies, crop insurance, minimum support prices (MSP) and food processing influence farmers' production choices, income security and resilience. Their effectiveness depends on design, accessibility and regional conditions.

Effects of Subsidies

- **Cropping pattern:** Subsidised electricity, fertilisers and irrigation can encourage crops that use these inputs intensively, even where they are ecologically unsuitable.
- **Crop diversity:** Input subsidies concentrated on selected crops may discourage pulses, oilseeds and other alternatives.

- **Farmer economy:** Subsidies reduce production costs and support farm incomes, but benefits may disproportionately accrue to larger farmers with greater access to irrigation and inputs.
- **Environmental effects:** Poorly designed subsidies can contribute to groundwater depletion, soil degradation and excessive chemical use.

Significance of Key Measures

1. Crop Insurance

Schemes such as the Pradhan Mantri Fasal Bima Yojana help protect farmers against specified crop losses from notified risks. Timely settlement and accessible enrolment are crucial for smallholders.

2. Minimum Support Price

MSP announcements provide a price signal and can protect farmers against severe price declines where procurement or effective market support exists. However, benefits vary considerably across crops and regions.

3. Food Processing

Processing adds value to agricultural produce, reduces post-harvest losses, extends shelf life and creates rural employment. Farmer Producer Organisations and cooperatives can help small farmers aggregate produce and negotiate better prices.

Way Forward

Reorient subsidies towards efficient water use, soil health and sustainable practices. Improve insurance settlement, broaden market access, strengthen procurement where feasible and invest in rural processing and storage.

Conclusion

Subsidies can support farm viability but may distort cropping choices if poorly designed. Insurance, credible price support and food processing can together improve resilience, diversification and incomes for small and marginal farmers.

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