



## Mains Practice Question

**Q.** Discuss the impact of farm subsidies on agricultural productivity, income distribution, and food security in India. Suggest reforms for better effectiveness. **(250 Words)**

10 Apr, 2024 GS Paper 3 Economy

### Approach

- Begin the answer by introducing the farm subsidies.
- Discuss the impact of farm subsidies on agricultural productivity, income distribution, and food security in India.
- Suggest reforms for better effectiveness of farm subsidies.
- Conclude as per the requirement of keywords.

### Introduction

A farm subsidy is a financial assistance or incentive provided by the government to farmers and agricultural producers to support their farming operations, promote agricultural productivity, ensure food security, and stabilize agricultural markets. These subsidies can take various forms, including direct payments, price support, subsidized loans, crop insurance, and grants for agricultural infrastructure development.

### Body

- **Impact on Agricultural Productivity:**
  - Farm subsidies play a significant role in enhancing agricultural productivity by providing financial support to farmers for inputs such as seeds, fertilizers, and machinery.
  - This enables farmers to adopt modern farming techniques, leading to increased yields per hectare. For instance, subsidies for drip irrigation systems have helped farmers in water-stressed regions to efficiently utilize water resources.
    - Moreover, subsidies on agricultural machinery and equipment encourage mechanization, reducing reliance on manual labor and enhancing efficiency in farm operations.
- **Impact on Income Distribution:**
  - While farm subsidies aim to support small and marginal farmers, their impact on income distribution is often skewed. Larger farmers tend to benefit more from subsidies due to their greater access to resources and infrastructure.
    - This exacerbates income inequality within the agricultural sector, as smaller farmers may not have the same capacity to avail themselves of subsidy benefits.
    - For instance, according to the Shanta Kumar Committee report, 6% of farmers in India benefit from the MSP scheme.
  - Furthermore, the distribution of subsidies across regions may also contribute to disparities in income distribution.
  - Wealthier regions with better infrastructure and market access tend to receive a larger share of subsidies, widening the income gap between regions.
- **Impact on Food Security:**
  - Farm subsidies play a crucial role in ensuring food security by stabilizing food prices and

incentivizing agricultural production.

- Subsidies on essential crops such as rice and wheat encourage farmers to cultivate these crops, which are staples in the Indian diet.
- This helps in maintaining sufficient food stocks to meet domestic demand, especially during times of scarcity or fluctuations in international prices.
- Additionally, subsidies on fertilizers and other inputs reduce production costs for farmers, enabling them to keep food prices affordable for consumers.

### **Reforms for Better Effectiveness:**

#### ▪ **Targeted Subsidies:**

- Reforms should focus on targeting subsidies more effectively towards small and marginal farmers who are most in need of support.
- This can be achieved through Aadhaar-based identification and direct benefit transfer mechanisms, ensuring that subsidies reach the intended beneficiaries without leakages or diversion.

#### ▪ **Diversification of Subsidies:**

- Instead of focusing solely on input subsidies, there should be a shift towards providing support for farm infrastructure, research, and extension services.
- This would enable farmers to adopt sustainable practices, diversify their income sources, and mitigate risks associated with climate change and market volatility.
  - **PM-KISAN:** The Pradhan Mantri Kisan Samman Nidhi Yojana provides direct income support to small and marginal farmers.

#### ▪ **Promotion of Agroecology:**

- Reforms should promote agroecological approaches that emphasize the integration of ecological principles into agricultural systems.
- This includes promoting organic farming, crop diversification, and conservation agriculture practices, which not only enhance productivity but also contribute to environmental sustainability and resilience.
  - **Soil Health Card Scheme:** This scheme provides subsidies on soil testing to promote balanced use of fertilizers, improving productivity.

#### ▪ **Market Reforms:**

- Improving market infrastructure and facilitating better price discovery mechanisms can reduce the dependency of farmers on subsidies.
- Encouraging the establishment of farmer producer organizations (FPOs) and strengthening agricultural marketing infrastructure can enable farmers to access markets directly, reducing intermediaries and improving price realization.

#### ▪ **Investment in Research and Development:**

- Increasing investment in agricultural research and development (R&D) is essential for developing high-yielding and climate-resilient crop varieties.
- This would reduce the reliance on subsidies by enhancing the innate productivity and resilience of crops to biotic and abiotic stresses.

### **Conclusion:**

While farm subsidies have played a crucial role in supporting agricultural development and ensuring food security in India, there is a need for reforms to address the challenges of income inequality, inefficiency, and environmental sustainability. By implementing targeted and diversified subsidy schemes, promoting agroecological practices, and investing in market reforms and R&D, India can enhance the effectiveness of farm subsidies while fostering inclusive and sustainable agricultural growth.