Q15

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?

UPSC Civil Services Mains 2017 · GS III · 15 marks · Crops, Irrigation and Marketing

Major crops - cropping patterns in various parts of the country; different types of irrigation and irrigation systems; storage, transport and marketing of agricultural produce and issues and related constraints; e-technology in the aid of farmers.

Core demand of the question

- Show how subsidies shape cropping pattern, crop diversity, and farmers' economy
- Explain why crop insurance, MSP, and food processing matter for small and marginal farmers
- Recommend a less distorting mix

Revision summary

Input and paddy-wheat procurement subsidies push a cereal pattern and shrink crop diversity.

They support small-farm cash this season but capitalise into rents, borewells, and soil imbalance.

PM Fasal Bima Yojana is the main income hedge for a failed crop if claims are timely.

MSP helps small farmers only where procurement is real, including pulses and oilseeds.

Food processing and FPOs turn perishable output into a market for the one-acre household.

Introduction

A **subsidy** changes what is cheap to grow. In India, **fertiliser, power, canal water, and cheap credit**, plus **Minimum Support Price** procurement of rice and wheat, have built a **cereal-heavy pattern**, thinned **diversity**, and given many small farmers a **cash cushion that is also a trap**. **Crop insurance**, a wider MSP, and **food processing** are the tools that can protect the small lot without locking the whole village into paddy.

Body

How subsidies affect pattern, diversity, and the farmer's economy

- **Power and canal water** that are free or flat-rate make **paddy and sugarcane** rational even on thirsty land; coarse cereals and pulses lose the calendar.
- **Urea subsidy** (and a weaker phosphate-potash signal for years) pushed nitrogen-heavy doses; soil balance and **crop mix** suffered.
- **MSP plus Food Corporation of India** procurement is a de facto subsidy to **rice and wheat belts**; oilseeds and millets stay on the rainfed margin.

- **Diversity falls:** fewer intercrops, fewer legumes, more specialised pest pressure - the yield problem of the previous question.
- **Farmer economy:** subsidies **cut the cash cost** this season and can keep a marginal farmer afloat. They also **capitalise into land rents and borewell races**, so the tenant and the water table lose. Leakage to large farmers and to the fertiliser plant is well known.
- Export and livestock get less policy energy than grain, so income sources stay narrow.
- When a subsidy is delayed (fertiliser shortage, unpaid cane dues), the small farmer's liquidity breaks at once because she has no buffer.

Crop insurance for small and marginal farmers

- **Pradhan Mantri Fasal Bima Yojana (2016)** cut premium rates and used more technology for crop-cutting. For a one-hectare household, a failed monsoon is ruin; insurance is the substitute for the savings she does not have.
- **Gaps:** delayed claims, village-level assessment that misses plot-level loss, and awareness. Insurance stabilises **income**, not the cropping pattern, unless premiums and products also cover horticulture and livestock.

MSP for the small lot

- MSP is a **price floor** where procurement actually happens. For small farmers in Punjab-Haryana it is real; in much of eastern and rainfed India it is a newspaper number.
- A declared MSP for pulses and oilseeds without purchase does not change the pattern. **Price deficiency** or local procurement through cooperatives can.
- MSP must not mean open-ended paddy in overdrawn blocks; that "helps" the farmer while mining her children's water.

Food processing

- A plant or pack-house near the village turns a **perishable glut** into a cheque. That is more valuable to a one-acre horticulture or milk producer than another urea bag.
- **Mega Food Parks**, cold chain, and **Farmer Producer Organisations** let small lots aggregate. Without them, the small farmer remains a price-taker at the mandi in a two-week harvest.
- Processing also absorbs women and landless labour - the household economy, not only the landowner.

A less distorting mix

- Direct income support and **Direct Benefit Transfer** of fertiliser subsidy where leakage is high; keep kind support where markets fail.
- Meter irrigation energy; pay a cash equivalent for saving power.
- Insurance that pays on time; MSP that is **implemented** for pulses, millets, and oilseeds; processing linked to those crops.

Flow diagram

Power urea paddy MSP that actually buys -> Cereal heavy pattern

Cereal heavy pattern -> Less diversity

Cereal heavy pattern -> Short-run cash long-run trap

PMFBY -> Short-run cash long-run trap

MSP that actually buys that actually buys -> Less diversity

Food processing FPO -> Short-run cash long-run trap

Conclusion

Fertiliser, power, and rice-wheat procurement subsidies cheapen a narrow cropping pattern, cut diversity, and give small farmers short-run relief that can become a water-and-soil trap. Crop insurance is their disaster hedge. MSP matters only where someone buys. Food processing is the demand limb for perishables. Shift from unmetered inputs toward income support, real pulse-millet purchase, and plants next to the farm.

Facts & figures

Urea subsidy
Long-standing fertiliser subsidy that cheapened nitrogen relative to other nutrients and favoured cereal doses.

Unmetered farm power
Flat or free electricity that makes groundwater paddy privately rational and socially costly.

PMFBY 2016
Pradhan Mantri Fasal Bima Yojana: lower farmer premium and wider notified-crop cover than earlier schemes.

MSP
Minimum Support Price: a floor that changes cropping only when a public or designated buyer actually lifts the crop.

Small and marginal farmers
Hold most Indian holdings; they need risk tools and local markets more than they need a second cheap urea bag.