

1. The MSP in India is not decided by technocrats and policy-makers, but by politicians with an attempt to appease the farmer community. Analyze the impacts of this policy?
(150 Words)

Answer:

- The MSP is used as a tool to incentivize farmers to produce food grain and help them during periods of crop failure. However, like all other social sector spending, it has become a tool to appease farmers as their votes influence the final election outcome.
- While MSPs are supposed to be used as a tool to compensate farmers in particular during periods of stress like drought and/or flood; which means that during normal periods, MSPs ought to be lowered or even suspended). However, in reality MSPs in India have always moved in one direction, which is upwards.
- The continuous uptrend in MSPs creates market distortions. There has never been even a single instance when specific hikes in MSPs, say for drought relief, or as bonuses to meet specific procurement targets etc., were withdrawn the subsequent year. Rather, these act as a floor for prices that year.
- From financial year 2007 onward, a substantial hike in MSPs was announced for paddy rice and wheat and this was followed by steep across-the-board hikes the year after. From then on, MSPs have been rising very fast. While, between 1998-99 and 2006-07, the MSPs have increased between 3.1% and 4.2% p.a., they rose by between 9.3% and 15.7% p.a. over 2006-07 and 2013-2014.
- Consider for example, rice and wheat subsidies. The government provides both producer and consumer subsidies totaling about Rs. 125,000 crore. Wheat and rice are procured from farmers at guaranteed above-market minimum support prices (MSPs - Rs. 14/kg of wheat, Rs. 13.6/kg of rice). Which was even higher than the prevailing market price and determined the floor market price.
- This also meant that any type of grain, whether stale, inferior quality, or pest ridden, would sell at this price only instead of going into cattle feed at lower prices. This has also pushed up the cattle feed price too.

High MSPs induce distortions, some of which ultimately hurt the poor, apart from obvious damage to the exchequer, in following ways:

- High MSPs result in farmers over-cultivating rice and wheat, which the Food Corporation of India then purchases and houses at great cost.
- High MSPs also encourage under-cultivation of non-MSP supported crops. The resultant supply-demand mismatch raises prices of non-MSP supported crops and makes them more volatile.
- High MSPs and price subsidies for water together lead to water-intensive cultivation that causes water tables to drop, which hurts farmers, especially those without irrigation facilities and infrastructure.

PRACTICE QUESTIONS

Answer the following Questions

1. Give a brief account of the following phenomenon and their influence on Indian Monsoon: (150 words)
 - (a) ENSO
 - (b) Madden-Julian Oscillation
 - (c) Indian Ocean Dipole.
2. Despite tropical areas being the major emitters of CFCs, the phenomenon of ozone hole formation is largely confined to polar areas and that too over the Antarctic and in early spring. Elaborate. (150 words)

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