

INDIAN ECONOMY & RELATED ISSUES, AGRICULTURE

In Context-The Cabinet Committee on Economic Affairs (CCEA) has approved the increase in Minimum Support Prices (MSP) for all mandated Kharif Crops for 2023-24.

What is MSP?

- Minimum Support Price (MSP) is a form of market intervention by the Government of India to insure agricultural producers against any sharp fall in farm prices.
- The Cabinet Committee of Economic Affairs announces the MSP at the start of each sowing season, taking into account the recommendations of the Commission for Agricultural Costs and Prices (CACP)
- MSP protects the producer- farmers against distress sale during bumper production years.

Background

- MSP was first introduced in the 1965-66 season for wheat. Later the coverage was expanded to coarse cereals.
- In 1965 the government decided to set up a permanent body, called the Agricultural Prices Commission to recommend MSP. This was renamed as the Commission for Agricultural Costs and Prices in 1985.

Crops Covered

- The Centre announces the MSP (which is not legally guaranteed) for 22 mandated crops and Fair & Remunerative Price for sugarcane.
- These include
 - ✓ 14 kharif crops (paddy, jowar, bajra, maize, ragi, tur/arhar, moong, urad, groundnut, soyabean, sunflower, sesamum, niger seed, cotton),
 - ✓ 6 rabi crops (wheat, barley, gram, masur/lentil, rapeseed and mustard, and safflower) and
 - ✓ 2 commercial crops (jute and copra).
 - ✓ In addition, MSP for Toria and de-husked coconut is also fixed on the basis of MSPs of rapeseed & mustard and copra respectively.

Fair & Remunerative Price (FRP):

- FRP is the minimum price at which the sugar mills purchase sugarcane from farmers.
- The Cabinet Committee of Economic Affairs announces the FRP on the recommendations of CACP.
- Latest Minimum Support Price: Kharif (2023-24)- The increase in MSP for Kharif Crops is in line with the Union Budget 2018-19 announcement of fixing the MSPs at a level of at least 1.5 times of the All-India weighted average Cost of Production (CoP).

Calculation of MSP:

- While recommending MSPs, the CACP looks at the following factors:
 - ✓ Cost of production;
 - ✓ Demand and supply of a commodity;
 - ✓ Market price trends (both domestic and international);
 - ✓ The likely implications of an MSP on consumers of that product.
 - ✓ Inter-crop price parity;
 - ✓ The terms of trade between agriculture and non-agriculture (that is, the ratio of prices of farm inputs and farm outputs);
 - ✓ A minimum of 50 per cent as the margin over the cost of production;

Calculation Formula:

- The CACP does not do any field-based cost estimates itself. It makes projections using state-wise, crop-specific production cost estimates provided by the Directorate of Economics & Statistics in the Agriculture Ministry.
- The CACP calculates three types of costs — A2, A2+FL and C2 — for each mandated crop for different states.
 - ✓ A2 cost: It is the lowest and covers all paid-out costs directly incurred by the farmer — in cash and kind — on seeds, fertilisers, pesticides, hired labour, leased-in land, fuel, irrigation, etc.
 - ✓ A2+FL cost: It includes A2 plus an imputed value of unpaid family labour.
 - ✓ C2 cost: It is the highest of the three costs and defined as a more comprehensive cost that factors in rentals and interest for owned land and fixed capital assets, on top of A2+FL.
- The National Commission for Farmers, chaired by MS Swaminathan, had recommended MSP under the C2+50 percent formula. That is, the total cost of the crop (C2) and the profit thereon is 50 percent. However. The government announces MSP on the basis of A2+FL.

How is the procurement carried out?

- The Food Corporation of India (FCI), along with state government agencies (SGAs), procures food grains under MSP.
- There are two types of systems: centralised procurement system and Decentralised procurement system

- Centralised procurement system:
 - The procurement of food grains in Central Pool is undertaken either by FCI directly or by State government agencies (SGA).
 - Central pool refers to stocks procured through MSP operations for welfare schemes and calamity relief.
 - Quantity procured by SGAs is handed over to FCI for storage and subsequent issue against GoI (Government of India) allocations in the same State or movement of surplus stocks to other States.
 - The cost of the food grains procured by State agencies is reimbursed by FCI.
- Decentralised procurement system: The State Government itself undertakes direct purchase of food grains. It also stores and distributes these food grains under NFSA and other welfare schemes.

Economic cost to the government:

- The total cost includes the acquisition and distribution costs.
- It is the MSP and incidental costs of procurement, including state taxes, commission to agents, cost of bagging materials, mandi labour, transportation to depot, etc.

Concerns of Government:

- Burden on government exchequer: The economic cost of procurement is very high for the FCI, which is eventually borne by the Union government. Thus lead to divergence of funds from being invested in agriculture infrastructure.
- Lack of storage facility: Due to improper handling and storage, more than 40,000 tonnes of food grains have been damaged in the last six years.
- Environmental degradation: MSP has created highly distorted incentive structures in favour of wheat and rice and along with highly subsidised power and urea; it is leading to an environmental disaster in certain pockets of north-west India.

Concerns of farmers:

- No legal statutory backing: a farmer cannot demand MSP as a matter of right.
- Calculation over MSP: Protesting farmers have been demanding MSP based on C2 cost, instead of A2+FL.
- Political tool: MSPs serve as a tool in the hands of the policymakers to tweak the production pattern and incentivise certain crops. Closer to elections, the governments announce high MSPs to win over the farmer vote.
- Limited procurement: While the government has provision of MSP for many crops, it procures only a few of those and that too from only a few states. Paddy and wheat growing households dominate the charts of MSP awareness and output sold under it.
- Delayed procurement: Government procurement agencies come late in the market and by the time procurement starts, the majority of the farmers sell out their produce to private players.
- Limited awareness: The benefits of the MSP are mostly going towards big farmers whereas small and marginalised ones are left out of the benefits.
- Consider Inflation for input cost: Farmers organisations demand MSP in tune with rising costs of inputs including fertiliser and irrigation.

Concerns of Consumer:

- Economic aspect: A sharp rise in MSPs (or higher MSPs over a sustained period) can lead to a spike in food inflation.

Recommendations

- Include more crops in MSP like millets, horticulture etc.
- Instead of focussing MSP, benefiting farmers with schemes like PM-KISAN, PM-AASHA schemes etc. It will provide direct support to them and reduce government fiscal burden.
- Farmers should be provided assistance regarding which crop to grow, when to sow, apply plant nutrients and which pest is attacking their crop etc.
- Infrastructure development:
 - The state must intervene to provide post-harvest technologies to farmers to ensure a better shelf life for their produce.
 - Construction of roads to connect villages to the mandis.
 - Adequate facilities for irrigation, as nearly 50 per cent of the land being rain-fed and lacking ample warehouses to store their produce at the village level.

PRELIM FACTS

1. Vadnagar

- **In News:** The Ministry of Culture has announced the redevelopment of a primary school attended by Prime Minister Narendra Modi, in Vadnagar.

Geography:

- Vadnagar is a town and municipality under Mehsana district of Gujarat state.
- It has been known by names like Anartapura, Anandapur, Vridhanagar, Chamatkarpur and so on, during different periods of its history.
- Vadnagar was situated at a strategic location of two major ancient trade routes: one joining central India with the Sindh and further northwest regions, while another connected the port towns on Gujarat's coast to northern India.
- It is often compared to the historic living cities of Mathura, Ujjain and Varanasi as cities inhabited since the early historic period and in the modern day.
- Findings of archaeological excavations at Vadnagar: Vadnagar was first excavated by archaeologists B Subbarao and RN Mehta in 1953.

Historical Significance:

- Overseas trade: Excavated 11,000 shell bangles and cowry shells traced to the Maldives imply involvement in overseas trade. A gold coin, believed to be from the Mamluk dynasty of Egypt that dated back to the 15th century, was also found.
- The ASI has also found "Roman connection" with Vadnagar.
- Kumarpal, the Jain king from the Solanki dynasty (1144-74 CE) undertook repairs of the fort wall in 12th century CE, as recorded in a stone inscription on the Arjuna Bari.
- Abul Fazl in Ain-e-Akbari has mentioned about the city.
- Chinese traveller Hieun Tsang is said to have visited Vadnagar around 641 AD, referring to it as o-nan-to-pu-lo (Anandpur).
- Vadnagar was an important centre of Sammitya Buddhists, a sect which Chinese traveller Hieun Tsang also supported. He recorded that 'there are more than 1000 monks of this school in 10 monasteries'.
- In 1992, a red sandstone image of a Bodhisattva was found which was brought from Mathura.
- An elliptical structure or a circular stupa, along with a square memorial stupa of 2x2 metre and 130 cm in height with a wall enclosure has been found here.

The current town:

- Vadnagar is an L-shaped town spread across 85 hectares, with the Sharmishtha Lake located on its north eastern edge.
- It is surrounded by the remains of a fortification wall, punctured by a series of gates that mark the entry and exit points of the town. The gates are Ghanskol Gate, Pithori Gate, Nadiol Gate, Amtol Gate, Amarthol Gate and Arjun Bari Gate etc.
- The city has many historical Hindu and Jain temples like Ambaji Mata Temple, Hatkeshwar temple etc.
- Vadnagar city has made its name in the Tentative list of the UNESCO World heritage sites.

2. The Sengol

- **Context:** Union Home Minister appealed to the people of Tamil Nadu to elect more than 25 MPs of in the 2024 Lok Sabha election to thank Prime Minister Narendra Modi for installing Sengol, a legacy of the Chola era, in the new Parliament House.
- **What is the Sengol?** Measuring five feet in length, this gold coated silver sceptre features an intricately carved 'nandi' at the top, which is meant to represent the concept of justice.
- **When was it made and by whom?** It was made during the time of Independence in 1947, when the British handed over power to India.
- **Why was it made?** Lord Mountbatten, the last British viceroy, wanted to mark the epoch moment of the ceremonial transfer of power from the British to the Indians.
- **Who was given the sengol?** The late Prime Minister Pandit Jawaharlal Nehru received this sengol from Tamil Nadu and he accepted this as a symbol of achieving independence.
- It is a sign of a shift of power from Britishers to The people of this country.
- It was the head of ancient Shaivite math Thiruvavaduthurai Aadeenam math that presented the Sengol to Nehru in 1947.
- **What does the sengol stand for today?** The sengol has since assumed importance as the sceptre of righteousness. It is a reminder of India's diversity and the birth of a great nation. The one who receives Sengol is expected to have a fair and just rule.
- **What is the significance of Sengol?** During the Chola period, the Sengol was of great importance during the coronation ceremonies of kings, and was symbolic of transfer of power from one ruler to the next.

3. National Crisis Management Committee

- **Context:** National Crisis Management Committee (NCMC) meets to review preparedness for impending cyclone ‘Biparjoy’ in Arabian Sea.

Role of National Crisis Management Committee

- The NCMC has been constituted under the chairmanship of the Cabinet Secretary.
- Other members:
 - ✓ The secretary to the Prime Minister,
 - ✓ Secretaries of the ministries of home affairs, defence, agriculture and cooperation, RAW
 - ✓ Director of Intelligence Bureau.
- The NCMC gives direction to the Crisis Management Group as deemed necessary.
- This is a group under the chairmanship of the Relief Commissioner comprising the senior officers from the various ministries and other concerned departments.
- The CMG will meet at least twice in a year.

Functions of CMG:

- Reviews every year contingency plans formulated by the central ministries/departments.
- Reviews measures required for dealing with a natural calamity.
- Coordinates the activities of the central ministries and state governments in relation to disaster preparedness and relief.
- Obtains information from the nodal officers on measures relating to the above.

4. India-US Relations

About:

- India and the US share values of democracy, rule of law, human rights, religious freedom that bind the countries together.

Bilateral engagement:

- India and the United States enjoy a comprehensive global strategic partnership covering almost all areas of human endeavour, driven by shared democratic values, convergence of interests on a range of issues, and vibrant people-to-people contacts.
- Regular exchanges at the leadership-level have been an integral element of the expanding bilateral engagement.
- Despite COVID-19 pandemic, India-U.S. cooperation witnessed intense engagement under various bilateral dialogue mechanisms in a wide range of areas including defence, security, health, trade, economic, science & technology, energy and people-to-people ties.

Defence and Security:

- India-US defence cooperation is based on “New Framework for IndiaUS Defence Cooperation”, which was renewed for a period of ten years in 2015.
- In 2016, the defence relationship was designated as a Major Defence Partnership (MDP).
- The MDP recognizes a shared desire to build a comprehensive, enduring and mutually beneficial defence partnership.
- Several defence agreements (BECA, LEMOA, COMCASA) have been signed in recent years.
- Bilateral military exercises (Vajra Prahar, Yudh Prayas) and defence exchanges are important aspects of deepening military-to-military cooperation.

Quad:

- The four Quad partners (India, Japan, United States & Australia) first formed a “Core Group” in 2004, to swiftly mobilise aid during the joint response to the 2004 Tsunami. Since 2017, Quad engagements have increased and intensified.

Counter Terrorism Cooperation:

- Cooperation in counter-terrorism has seen considerable progress with information exchange, operational cooperation and sharing of counterterrorism technology and equipment. India-U.S. Joint Working Group on Counter-Terrorism oversees the expanding CT cooperation.

Cyber Security Cooperation:

- The India-US Cyber Framework signed in September 2016, provides for expanding cooperation in the cyber domain.

Trade & Economic Relations:

- The rapidly expanding trade and commercial linkages form an important component of the multi-faceted partnership between India and the United States.
- The U.S. is India’s second largest trading partner and a major destination for our exports of goods and services.

- Bilateral trade in goods and services stood at US\$ 146 billion in 2019.
- During the financial year 2020-21, India received the highest ever foreign direct investment amounting to USD 81.72 billion, as per data published by the Ministry of Commerce and Industry, Government of India.
- The US replaced Mauritius as the second largest source of foreign direct investment into India during 2020-21 with inflows of USD 13.82 billion.
- The US is one of the top 5 investment destinations for Indian FDI.

Energy sector:

- India and the US have a strong bilateral partnership in the energy sector.
- In 2010, bilateral Energy Dialogue was launched.

Science and Technology:

- India-US cooperation in Science and Technology is multi-faceted and has been growing steadily under the framework of the India-US Science and Technology Cooperation Agreement signed in October 2005, which was renewed for a period of ten years in September 2019.
- ISRO and NASA are working together to realise a joint microwave remote sensing satellite for Earth observation, named NASA ISRO Synthetic Aperture Radar (NISAR).

Education partnership:

- It is an important pillar of India-US ties and both the countries share strong linkages and history of higher education collaborations.
- The United States Educational Foundation in India (USEFI) was set up after a bilateral agreement on education exchange was signed between India and the US on February 2, 1950

Indian Diaspora:

- About 4.2 million Indian Americans/Indian origin people reside in the US. The Indian Americans [3.18 million] constitute the third largest Asian ethnic group in the US.

ANSWER WRITING

Q. 'Climate change' is a global problem. How India will be affected by climate change? How Himalayan and coastal states of India will be affected by climate change?

- Climate change is referred to a change in average weather conditions, or in the time variation of weather within the context of longer-term average conditions. Climate change has attracted attention recently particularly due to the changes apparent from the mid to late 20th century onwards and it is attributed largely to the increased levels of atmospheric carbon dioxide produced by the use of fossil fuels.
- India due to its peculiar geography and developmental stage is one of the most vulnerable nations to climate change. India is already experiencing a warming climate and erratic monsoon pattern, unpredictable rainfall since last few years.
- Droughts are expected to be more frequent in some areas, especially in north-western India, Jharkhand, Orissa and Chhattisgarh.
- Climate change is expected to have major health impacts in India- worsening the already high malnutrition and related health disorders such as child stunting - with the poor likely to be affected most severely.

Possible effects on Himalayan states

- With rise in average temperature, most Himalayan glaciers have been retreating over the past century. This may have severe impact on the delicate Himalayan ecology.
- The melting of glaciers and the loss of snow cover over the Himalayas is expected to threaten the stability and reliability of northern India's primarily glacier-fed rivers systems, particularly major river systems like the Indus, the Ganges and the Brahmaputra. This will adversely impact the ecology, livelihood and overall economy of Himalayan states.

Possible effects on coastal states

- India is close to the equator, the sub-continent would see much higher rises in sea levels in comparison to higher latitudes and most of coastal states will face the heat of climate change.
- Kolkata and Mumbai, both densely populated cities, are particularly vulnerable to the impacts of sea-level rise, tropical cyclones, and riverine flooding
- Sea-level rise and storm surges would lead to saltwater intrusion in the coastal areas, impacting agriculture, degrading groundwater quality and contamination of drinking water.
- Being one of the most vulnerable countries to climate change, it is high time that India should take corrective and mitigating actions to cope up with the upcoming challenges of climate change.

MCQs

1. Consider the following statements.
 1. Tropical cyclones are those which develop in the regions between the Tropics of Capricorn and Cancer.
 2. They are the most devastating storms on Earth.
 Select the incorrect statements using the codes below.
 - a) 1 only
 - b) 2 only
 - c) Both 1 and 2
 - d) Neither 1 nor 2**
2. Consider the following statements
 1. The National Disaster Management Authority (NDMA) is India's apex statutory body for disaster management.
 2. The NDMA was formally constituted on 27th September 2006, by the Disaster Management Act, 2005.
 3. The Prime Minister is its chairperson and it has ten other members.
 Select the incorrect statements using the codes below.
 - a) 1 only
 - b) 1 and 2 only
 - c) 3 only**
 - d) 1, 2 and 3 only
3. Recently 12th edition of joint military exercise "Ex Ekuverin" commenced recently between which of the following Country?
 - a) India and Maldives**
 - b) UAE and Iran
 - c) India and Indonesia
 - d) India and UK
4. Consider the following statement regarding Vadnagar
 1. It was first excavated by archaeologists B Subbarao and RN Mehta in 1953.
 2. Vadnagar city has made its name in the tentative list of the UNESCO World heritage sites
 3. It was an important centre of Sammitiya Buddhists, a sect which Chinese traveller Hieun Tsang also supported
 Select the correct statements using the codes below.
 - a) 1 only
 - b) 1 and 2 only
 - c) 3 only
 - d) 1, 2 and 3 only**
5. Consider the following statement about FRP (Fair and Remunerative Price)
 1. FRP is the minimum price at which the sugar mills purchase sugarcane from farmers.
 2. The Cabinet Committee of Economic Affairs announces the FRP on the recommendations of CACP.
 Select the correct statements using the codes below.
 - a) 1 only
 - b) 2 only
 - c) Both 1 and 2**
 - d) Neither 1 nor 2
6. UMANG (Unified Mobile Application for New-age Governance) is developed by which of the following ministry?
 - a) Ministry of Electronics and Information Technology**
 - b) Ministry of Science and Technology
 - c) Ministry of Education
 - d) Ministry of Defence
7. Consider the following statement about World Day Against Child Labour.
 1. The International Labour Organization (ILO) launched the first World Day Against Child Labour in 2002
 2. The theme for 2023 is 'Social Justice for All. End Child Labour!'
 Select the correct statements using the codes below.
 - a) 1 only
 - b) 2 only
 - c) Both 1 and 2**
 - d) Neither 1 nor 2
8. Consider the following statement about India & UAE to take bilateral trade non-petroleum products
 1. India and UAE successfully held the 1st Meeting of the Joint Committee of the India-UAE CEPA.
 2. India and UAE agree to more than double the trade in non-petroleum products to USD 100 billion by 2030.
 Select the not correct statements using the codes below.
 - a) 1 only
 - b) 2 only
 - c) Both 1 and 2
 - d) Neither 1 nor 2**
9. Silvio Berlusconi, is recently in news was former PM of which of the following country?
 - a) Sweden
 - b) Italy**
 - c) Russia
 - d) Turkmenistan
10. Consider the following statement about PVTGs (Particularly Vulnerable Tribal Groups)
 1. 'Pradhan Mantri PVTG Development Mission' has been launched by the Government for the development of PVTGs.
 2. A campaign announced in the current budget of 2023-24 to eradicate Sickle Cell Anemia by the year 2047.
 Select the correct statements using the codes below.
 - a) 1 only
 - b) 2 only
 - c) Both 1 and 2**
 - d) Neither 1 nor 2