

Agricultural Policies and Their Impact on Farmers

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Agriculture plays a crucial role in the economic and social development of many countries, especially in developing nations like India. It contributes significantly to employment and food security. In India, agriculture employs over 40% of the workforce and remains central to rural livelihoods. To support this sector, governments implement various agricultural policies aimed at increasing productivity, ensuring food security, and improving farmers' incomes. However, these policies often produce both positive and negative impacts on farmers.

Types of Agricultural Policies

1. Price Support Policies

Price policies such as Minimum Support Price (MSP) aim to ensure remunerative prices for farmers. These policies protect farmers from price fluctuations and market uncertainties. However, studies show that price policy mechanisms are often inefficient and inaccessible to many farmers, leading to uneven benefits.

2. Input Subsidy Policies

Governments provide subsidies on fertilizers, electricity, irrigation, and seeds to reduce production costs. These policies have contributed to increased agricultural productivity. For example, improved access to inputs has helped sustain agricultural growth in India at around 3.6% annually.



However, excessive subsidies can lead to environmental degradation. Fertilizer subsidies, while improving crop yields, have also contributed to soil degradation and climate-related challenges.

3. Trade and Market Policies

Agricultural trade policies regulate exports, imports, and domestic markets. While these policies aim to stabilize food prices, they often result in lower farm-gate prices, reducing farmers' income. Government interventions sometimes depress market prices even when production increases.

4. Crop Insurance and Financial Policies

Crop insurance schemes and credit policies help farmers manage risks associated with climate

variability and crop failure. Access to credit improves productivity and efficiency, especially among low-income farmers, as observed in empirical studies.

5. Structural and Institutional Policies

Policies promoting Farmer Producer Organizations (FPOs), contract farming, and cooperatives aim to

strengthen farmers' market access and bargaining power. Contract farming, for instance, has shown potential to increase profits by up to 51% and reduce input costs. However, implementation challenges and institutional weaknesses limit their effectiveness.

Rank	Country	AgGDP	Share of AgGDP	Population (2010)
1	China	146 000	0.26	323 000
2	India	60 600	0.22	255 000
3	United States	21 800	0.14	69 100
4	Russian Federation	14 300	0.26	27 100
5	Iran, Islamic Republic of	13 400	0.44	40 600
6	Brazil	12 600	0.14	9230
6	Pakistan	12 600	0.28	42 600
7	Australia	10 900	0.44	6130
8	Italy	6560	0.17	7120
9	Canada	5540	0.25	5000

Impact of Agricultural Policies on Farmers.

Positive Impacts

1. Increased Productivity

Policies supporting irrigation, fertilizers, and technology adoption have significantly improved agricultural output.

2. Income Stabilization

Price support and direct income schemes provide financial security and reduce vulnerability to market fluctuations.

3. Risk Reduction

Crop insurance and credit facilities help farmers cope with uncertainties like droughts and crop failures.

4. Market Access and Efficiency

Institutional reforms such as FPOs and contract farming improve farmers' access to markets and enhance efficiency.

Negative Impacts

1. Unequal Distribution of Benefits

Many policies disproportionately benefit large farmers, leaving small and marginal farmers behind. For example, agricultural aid distribution can be skewed toward wealthier farmers.

2. Environmental Degradation

Subsidies encouraging intensive input use have contributed to groundwater depletion and soil degradation.

3. Market Distortions

Price controls and trade restrictions can reduce farmers' incentives and distort market signals.

4. Implementation Challenges

Weak infrastructure, lack of awareness, and bureaucratic inefficiencies limit policy effectiveness.

Recent Challenges and Policy Debates

Recent developments highlight ongoing tensions in agricultural policymaking. For example, protests by fertilizer dealers and farmers against certain policies

indicate dissatisfaction with policy implementation and market practices . Similarly, structural constraints limit the effectiveness of initiatives like FPOs despite their potential.

Conclusion

Agricultural policies play a vital role in shaping the livelihoods of farmers and the overall agricultural economy. While these policies have contributed to

increased productivity, income stability, and food security, they also present challenges such as inequality, environmental degradation, and market distortions. Therefore, future policy reforms should focus on inclusive growth, sustainable practices, and efficient implementation to ensure that the benefits reach all farmers, especially small and marginal ones.

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