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1. The question of MSP: Is income support for farmers better than pricing that is delinked from market demand?

What is the current situation?

Farmers, for the most part, operate in a buyer's market. Since their crops — barring may be milk — are harvested and marketed in bulk, it leads to sudden supply increases relative to demand, putting downward pressure on prices.

Such market conditions, favouring buyers over sellers, also mean farmers are price takers, not price makers. Lacking the market power to influence the prices of their produce — or to even set the MRP (maximum retail price), as firms in most industries do — they sell at prevailing supply-and-demand-determined rates. Worse, while their crops are sold wholesale, they pay retail prices for everything from seeds, pesticides, diesel, and tractors to cement, medicines, toothpaste, and soap.

Thus, farmers from time-to-time demand minimum support prices (MSP) for their crops.

Logic for income support

Most economists, though, are opposed to government-fixed MSPs based on cost-plus pricing, sans any consideration to market demand. Farmers, they say, should plant what the market wants, as reflected in the prices for various crops at a given point in time. Cost-plus MSPs that are oblivious to demand conditions will distort farmers' production decisions, resulting in the oversupply of some crops and an undersupply of others.

Economists largely believe that it is better to give farmers "income", instead of "price", support. That would mean transferring a fixed sum of money annually into their bank accounts, whether on a per-farmer (as in the Centre's PM-Kisan Samman Nidhi) or per-acre (the Telangana government's Rythu Bandhu) basis. Direct income support

schemes aren't market-distorting and benefit all farmers, irrespective of which crop they grow in whatever quantity, and sell to whomsoever at any price.

Logic for Price support

However, the flip side to everyone being paid the same money is: where does this leave the real producing farmer, who invests more resources, time, and effort in the field?

These farmers, unlike those for whom agriculture is a secondary or incidental livelihood source, may be justified in seeking some kind of price assurance for the crop they are sowing now and harvesting a few months down the line.

And given that they, more than other businessmen, are exposed to both price and production risks (from weather, pests, and diseases), MSP guarantee is probably not an unreasonable demand.

Moreover, price support can be a useful tool for promoting crop diversification. Farmers are more likely to grow pulses, millets, and other nutrient-dense, less water-intensive crops than rice, wheat, or sugarcane if they are assured of MSP on the former. So long as MSPs do not deviate excessively from market rates and inter-crop price parity, it's the next question that deserves answering.

How can MSP be guaranteed?

There are two conventional ways.

The first is to force buyers to pay MSP. Sugar mills are required, by law, to pay cane growers a "fair and remunerative" or "state advised" price within 14 days of purchase. But this approach risks implementation hurdles (recurrent cane payment arrears are proof), or worse, the private trade choosing to not buy at all.

The second is for government agencies to buy the entire marketable produce of farmers offered at MSP. That is unsustainable, both physically and fiscally.

But there's a third option: price deficiency payments (PDP). It entails the government not physically purchasing or stocking any crop, and simply paying farmers the difference between the market price and MSP, if the former is lower. Such payment would be on the quantity of crop they sell to the private trade.

Relevance: GS Prelims & Mains Paper III; Economics

Source: The Indian Express

2. How Lakshadweep's unique cultural landscape developed

Why in news?

Prime Minister Narendra Modi's recent trip to Lakshadweep has catapulted the islands into national conversation. Lying about 400 km off the coast of Kerala in the Arabian Sea, the picturesque islands have long been touted as a "hidden gem" for Indian tourists.



Figure 1 Prime Minister Narendra Modi in Lakshadweep

Muslim majority

Culturally, the islands are unique. Though majority of its inhabitants are Muslim, the Islam practised in Lakshadweep is unlike that followed anywhere else in India, with islanders sharing ethnic, linguistic and cultural links to Malyalis, Arabs, Tamils and Kannadigas alike.

A matrilineal society

What really makes Lakshadweep's Islamic society unique is the tradition of matriliney — where descent and property is traced through the mother's line.

A reason for the continued existence of matriliney in Lakshadweep is its relative isolation. Not only did it avoid serious colonial influence, it also did not come under the influence of conventional Islamic ideas from other parts of the Muslim world, like the reformist Mujahid movement in south-west India in the 1930s.

Relevance: GS Prelims & Mains Paper I; Indian Society

Source: The Indian Express

3. India's First Inland Waterways Development Council commits US\$ 5.4 billion (Rs. 45,000 crore) for the development of River Cruise Tourism

Inland Waterways Development Council

The inaugural session of the Inland Waterways Development Council (IWDC) in Kolkata, led by Union Minister of Ports, Shipping & Waterways and AYUSH Mr. Sarbananda Sonowal, marked a pivotal moment for India's inland waterways.

Initiatives

With key stakeholders and industry leaders in attendance, the meeting focused on bolstering the sector's capacity and viability. A substantial commitment of US\$ 5.4 billion (Rs. 45,000 crore) was announced for the development of river cruise tourism, allocating US\$ 4.2 billion (Rs. 35,000 crore) for cruise vessels and US\$ 1.2 billion (Rs. 10,000 crore) for cruise terminal infrastructure by 2047. Additionally, an investment of US\$ 1.8 billion (Rs. 15,200 crore), determined at the Global Maritime India Summit in October 2023, aims to propel inland waterways for cargo trade, projecting a remarkable growth rate exceeding 400%, leading to a volume increase to 500 million Tonnes Per Annum (MTPA) by 2047.

Mr. Sonowal, in launching the 'Harit Nauka' guidelines and the 'River Cruise Tourism Roadmap, 2047,' underscored India's impressive growth under Prime Minister Mr. Narendra Modi.

The IWDC's mission aligns with the vision of an Atmanirbhar Bharat, focusing on a modern approach and clear strategy to rejuvenate neglected waterways. The outlined roadmap aims to expand the capacity for River Cruise tourism, increase the number of cruise circuits, and enhance infrastructure, signaling a transformative journey toward sustainable development and economic rejuvenation.

Relevance: GS Prelims

Source: PIB