



# A Study on Government Intervention in Agricultural Market: Boon or Burden

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## Abstract

Government intervention in the agricultural market plays a crucial role in shaping food security and rural livelihoods. Policies such as subsidies, minimum support prices (MSP), and import-export regulations are designed to protect farmers from market uncertainties. These interventions ensure price stability, encourage production, and safeguard consumers against inflation. On the positive side, government support helps small and marginal farmers survive in competitive markets. It also promotes technological advancement and investment in the agricultural sector.

**Keywords:** Government intervention, Agricultural market, Minimum Support Price (MSP), Subsidies, Price regulation, Market efficiency.

## Introduction

Agriculture is the backbone of many economies, providing food, employment, and raw materials. Farmers often face challenges such as unpredictable weather, fluctuating prices, and market uncertainties. To address these issues, governments intervene in agricultural markets through policies and regulations. Common interventions include subsidies, minimum support prices (MSP), price controls, credit facilities, and trade regulations. These measures aim to stabilize farm incomes, ensure food security, and promote rural development. Government support can help small and marginal farmers survive in competitive markets and invest in modern technology.

## Statement of the Problem

I chose the title "Government Intervention in Agricultural Market: Boon or Burden" because agriculture is the backbone of our economy and directly affects the livelihoods of millions of farmers. The sector faces many challenges such as unpredictable weather, price fluctuations, and market uncertainties. Understanding the role of government in addressing these issues is important to evaluate its impact on both farmers and consumers. This topic helps analyze whether interventions like subsidies, minimum support prices, and trade regulations are beneficial or create more problems.

## Review of the Literature

Kym Anderson <sup>[1]</sup> analyzes the economic impacts of agricultural policies worldwide. Danielle Resnick, Rob Vos, and Will Martin <sup>[2]</sup> emphasize the political and economic complexities of reforming costly interventions. D. Gale Johnson <sup>[3]</sup> stresses that free markets benefit agriculture more than heavy state control.

## Research Gap of the Study

Although government support in agriculture is widely discussed, its long-term impact on small and marginal farmers in developing countries is still not fully understood. Most studies focus on subsidies and price supports, while important aspects such as market efficiency, innovation, and sustainable farming practices receive less attention. Comparative analyses between regions with varying levels of intervention are also limited, making it difficult to determine what works best. The socio-economic consequences, including farmer dependency on aid and the pressure on government budgets, are often overlooked. Overall, the balance between the benefits and drawbacks of government intervention remains unclear and requires closer examination.

## Objectives of the Study

- i). To find out the causes of market instability in the agricultural sector.

- ii). To analyze the impact of government intervention on farmers' income and production.
- iii). To examine the benefits and drawbacks of policies like subsidies and minimum support prices.
- iv). To evaluate the effect of government measures on market efficiency and sustainability.
- v). To suggest strategies for balancing government support with natural market forces.

### Methodology

This research is based on both the doctrinal and non-doctrinal research. The sources of data collected from different newspapers, journal, magazine, and e – resources. The statistical tool of the research is used such as average and percentage method. The sample size of the respondents is 100. The duration of the research is 5 months. The jurisdiction of the research is India.

### Significance of the Research

This research is useful in understanding the role of government intervention in agriculture. It helps identify how policies like subsidies and minimum support prices affect farmers' income and production. It provides insights into the challenges faced by small and marginal farmers. The study highlights the positive and negative consequences of intervention on market efficiency. It helps policymakers design better strategies to balance support and market forces. The research can guide the government in reducing fiscal burdens and promoting sustainable agriculture. It informs farmers about the benefits and limitations of government measures.

### Hypothesis of Study

- i). Government intervention in the agricultural market has a significant impact on farmers' income and production.
- ii). Subsidies and minimum support prices are beneficial in reducing market risks for small and marginal farmers.

### Limitations of Study

- i). **Dependence on Secondary Data:** The study is largely based on published sources such as books, journals, articles, and government reports, which may not fully capture ground realities.
- ii). **Absence of Primary Research:** No direct surveys, field visits, or farmer interviews were conducted, limiting firsthand perspectives from stakeholders.
- iii). **Regional Variations:** Agricultural policies differ widely between countries and even within states or regions, so the findings may not be universally applicable.
- iv). **Policy Changes Over Time:** Government policies in agriculture frequently change; thus, conclusions may lose accuracy as new schemes or reforms are introduced.
- v). **Limited Long-Term Analysis:** Due to lack of continuous and consistent data, the long-term effects of government intervention could not be studied in depth.

### Research and Discussion

Government intervention in agricultural markets has evolved significantly over time, reflecting the changing needs of farmers, consumers, and economies. In the pre-20th century, government involvement was limited, mainly focusing on land reforms and basic market regulations. However, during the Great Depression of the 1930s, the economic crisis prompted governments to introduce measures such as price supports and production controls to stabilize farmer incomes

and prevent widespread rural distress. After World War II, interventions expanded further with the introduction of subsidies, guaranteed prices, and state-led marketing systems aimed at ensuring national food security. By the 1990s, the global trade landscape shifted, with international agreements like those under the World Trade Organization encouraging countries to reduce trade-distorting supports and adopt more market-oriented policies. In the past decade, the focus of government intervention has gradually shifted towards more targeted strategies, emphasizing risk management, adoption of modern technology, and sustainable agricultural practices.

Government intervention has both beneficial and potentially adverse effects on agriculture and the broader economy. On the positive side, measures such as subsidies, minimum support prices (MSPs), crop insurance, and investments in rural infrastructure play a crucial role in stabilizing farmer incomes, reducing market risks, and promoting consistent production. Such interventions are particularly vital for small and marginal farmers, who often lack access to credit, technology, and bargaining power in competitive markets. By providing support, governments help these farmers withstand unpredictable market fluctuations, adverse weather events, and other natural risks. Moreover, interventions can encourage the adoption of modern farming techniques, stimulate innovation, and contribute to long-term food security, benefiting both producers and consumers.

On the other hand, excessive or poorly targeted interventions can create significant economic challenges. Price supports and subsidies may lead to overproduction, wastage of resources, and artificially inflated prices that distort market signals. Persistent reliance on government support can reduce farmers' incentives to innovate or improve efficiency, creating dependency. In addition, extensive interventions can place a considerable burden on public finances, reduce the overall competitiveness of domestic agriculture in global markets, and sometimes encourage practices that are environmentally unsustainable.

Ultimately, the impact of government intervention depends on how well-designed, targeted, and efficiently implemented the policies are. Interventions that are carefully calibrated to protect vulnerable farmers, encourage sustainable practices, and promote market efficiency can be highly beneficial. Conversely, policies that are indiscriminate or poorly executed may create distortions, inefficiencies, and long-term dependency. Striking a balance between support and market orientation is therefore crucial to ensuring that government intervention serves as a true boon to the agricultural sector rather than becoming a burden.

### Case Laws

#### i). State of Tamil Nadu vs. K. Shyam Sunder (2011)

- The Supreme Court upheld the Tamil Nadu Agricultural Produce Marketing (Regulation) Act, emphasizing the importance of regulated markets to protect farmers from exploitation by middlemen.
- This case highlights how government intervention can be justified to ensure fair prices and market transparency.

#### ii). Ramchandra Kailash Kumar vs. State of Uttar Pradesh (2014)

- This case dealt with sugarcane pricing by the government. The Court ruled that the government has the authority to fix prices in the interest of both farmers and consumers.
- It shows how price control, though restrictive, aims to

balance welfare. 3.ITC Ltd. Vs. Agricultural Produce Market Committee (2002)

- The case questioned whether private companies could bypass APMC markets. The Court held that all traders must follow state-regulated market rules.
- This highlights the tension between free trade and regulated markets under government control.

**Table 1:** Government intervention in the agricultural market significantly affect farmers' income and production

Indicators	Yes	No
Illiterate	1(1.0)	1(1.0)
Primary school	4(4.0)	3(3.0)
Secondary school	6(6.0)	2(2.0)
High school	5(5.0)	3(3.0)
Higher secondary	6(6.0)	2(2.0)
UG	18(18.0)	7(7.0)
PG	30(30.0)	6(6.0)
Other professions	8(8.0)	8(8.0)
Total	78(78.0)	22(22.0)

1 Does government intervention in the agricultural market significantly affect farmers' income and production?

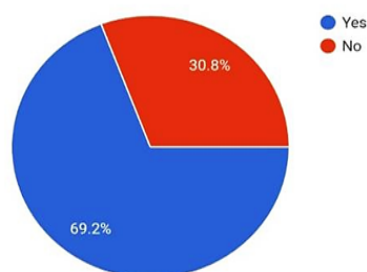


Table 1 shows that only 15.4 percentage of the respondents said subsidies and minimum support prices are not helpful, and 84.6 percentage said government intervention does not

affect farmer's income or production. This means that the majority think these programs are useful for reducing risk and improving farmer's condition. However, a few respondent feel that the government's efforts are not effective enough or do not make much difference in practice.

**Table 2:** Government intervention in agriculture plays a crucial role in ensuring food security, supporting farmers, and promoting technological advancement.

Indicators	Strongly agree	Agree	Neutral	Strongly disagree	Disagree
Rural	8 (8.0)	13(13.0)	10(10.0)	0(0.0)	33(33.0)
Urban	10 (10.0)	21(21.0)	15(15.6)	3(3.0)	51(51.)
Semi-urban	5(5.0)	5(5.0)	6(6.0)	0(0.0)	16(16.0)
Total	23(23.0)	39(39.0)	31(31.0)	3(3.0)	100(100.0)

2 Government intervention in agriculture plays a crucial role in ensuring food security, supporting farmers, and promoting technological advancement.

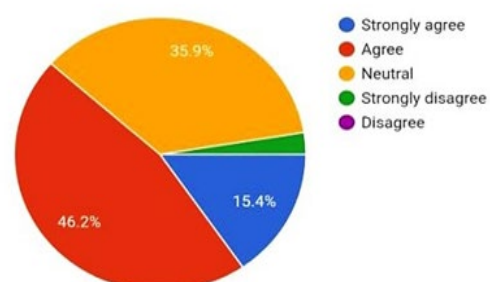


Table 2 shows that most respondents are from urban areas 51.3 percentage and the majority of them agree 46.2 percentage or strongly agree 15.4 percentage that government intervention in agriculture is important. Very few respondents disagreed or strongly disagreed, showing that almost everyone supports the role of government in helping farmers and ensuring food security.

**Table 3:** Government interventions such as subsidies, minimum support prices, and crop insurance are essential for stabilizing farmer incomes and protecting small and marginal farmers from market risks.

Indicators	Strongly agree	Agree	Neutral	Strongly disagree	Disagree	Total
Rural	10(10.0)	12(12.0)	8(8.0)	2(2.0)	3(3.0)	35(35.0)
Urban	15(15.0)	20(20.0)	10(10.0)	3(3.0)	2(2.0)	50(50.0)
Semi-urban	5(5.0)	4(4.0)	4(4.0)	1(1.0)	1(1.0)	15(15.0)
Total	30(30.0)	36(36.0)	22(22.0)	6(6.0)	6(6.0)	100(100.0)

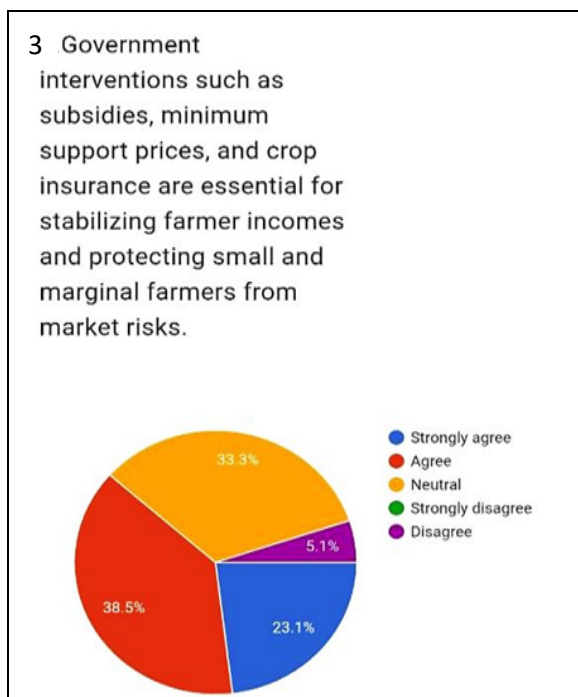


Table 3 shows that most people, especially those from urban areas, think that government help like subsidies, minimum support prices, and crop insurance is very important for farmers. About 38.5 percentage agreed and 23.1 percentage strongly agreed that such support helps protect farmers and their income. Only a few people 5.1 percentage disagreed. This means that almost everyone, whether from rural, urban, or semi-urban areas, believes government programs are necessary to support farmers and reduce their financial risks.

### Testing of Hypothesis:

#### Hypothesis 1:

**Null Hypothesis ( $H_0$ ):** Government intervention has no significant influence on farmers' income and production.

**Alternative Hypothesis ( $H_1$ ):** Government intervention significantly influences farmers' income and production.

#### Hypothesis 2:

**Null Hypothesis ( $H_0$ ):** There is no significant relationship between farmers' perception of MSPs and subsidies and their actual benefits from government intervention.

**Alternative Hypothesis ( $H_1$ ):** There is a significant relationship between farmers' perception of MSPs and subsidies and their actual benefits.

### Suggestion

- This should focus on small and marginal farmers who, most of the time, are excluded from benefits accruing thereof.
- Online registration, online fees, online grievance redressal through digital platforms.
- Carry out periodic impact assessments of government interventions.
- Encourage farmer participation in policy feedback and decision-making.

### Conclusion

The study titled "Government Intervention in Agricultural Market: Boon or Burden" concludes that government involvement remains a cornerstone of agricultural development, particularly in safeguarding the livelihoods of

small and marginal farmers. Interventions such as subsidies, Minimum Support Prices (MSP), and trade regulations have been instrumental in stabilizing farmer incomes, promoting food security, and protecting rural communities from the uncertainties of market forces. However, the findings also reveal that excessive or poorly targeted support can create inefficiencies, dependency, and fiscal strain on the government. To ensure long-term sustainability, it is essential that intervention policies are designed with a balanced approach—one that empowers farmers, encourages innovation, and enhances market efficiency without undermining competitiveness. Ultimately, government intervention should serve as a facilitator of growth and equity rather than a source of distortion or dependency in the agricultural sector.

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