Bhavantar Bhugtan Yojana – Madhya Pradesh

Why in news?

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Madhya Pradesh recently announced that the Bhavantar Bhugtan Yojana scheme would be implemented in a new form.

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What does the scheme provide?

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- The Bhavantar Bhugtan Yojana (BBY) was launched in October 2017 in MP to compensate farmers in the event of a price crash and to that extent hedge the price risk faced by them.
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- The scheme was initially extended to eight crops, mostly oilseeds and pulses, where government procurement is typically low unlike rice and wheat.
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- Under it, farmers who register under the scheme are compensated only if their selling price (SP) is lower than the government set minimum support price (MSP).
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- The actual amount of compensation or deficiency payment made to a farmer is determined by a modal price.
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- Modal price is a marker of average market price within the state and markets outside the state where the commodity is traded.
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- So when a farmer’s selling price is lower than MSP but higher than the modal price, then the difference between the MSP and actual price is paid to the farmer.
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- If the SP is lower than both MSP and modal price, the payout is capped at the difference between MSP and modal price.
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- For instance, if the MSP for soybean is Rs3,050 per quintal and the modal rate is Rs2,700 per quintal, if a farmer sells the crop at Rs2,800 per quintal

in a mandi (wholesale market), the government will pay out Rs250 for every quintal sold directly to the farmer's bank account.
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- However, if the crop is sold at Rs2,600 per quintal, the state will transfer only Rs350 per quintal of produce sold, or the difference between MSP and the modal price.
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- Farmers will have to register their crops at village-level cooperative societies along with their Aadhaar and bank account numbers.
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- They were eligible only if they sold their produce during a particular window in the mandi where they had registered themselves.
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- The actual difference in the selling price and the modal rate was deposited directly in their bank accounts.
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- Thus, there is no need to physically procure the commodities (as is the case with wheat and paddy) and can save on those costs and related leakages.
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What are the concerns?

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- The scheme was tweaked regularly after its implementation, which brought out its flaws and the difficulties faced by farmers.
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- Also, it ran into allegations that it benefited traders more than farmers.
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- The traders were accused of forming cartels and deliberately keeping prices low, by purchasing the produce at low rates.
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- For example, it was alleged that the price of soyabean crashed after the scheme was introduced and the same prices went up immediately after the selling period under the scheme was over.
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How did the scheme actually perform in its first edition?

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- The total registration for kharif 2017 under BBY was close to 25% of the total

operational holdings in the state and about a third of the kharif area was covered by BBY.
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- For soybean, which is the main kharif crop in Madhya Pradesh, close to 50% of the area under the crop was covered under the scheme.
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- So, in terms of coverage, the scheme cannot be termed a failure.
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- Also, the modal price increased as the BBY scheme progressed and the maximum differential (MSP minus modal price) reduced by half between October 2017 and December 2017 in case of soybean.
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- For moong and urad too, the maximum differential has declined over the October to December 2017 period.
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- So it is unfair to attribute the decline in prices between September and December 2017 solely to the scheme.
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- Arrival figures show that almost 58% of the total arrivals of soybean come to the market in Madhya Pradesh between September and December 2017.
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- Despite higher arrivals as compared to 2016, the price (of soybean) did not come downin November 2017.
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- Thus, the allegation that prices rose just after the closure of the scheme may not be completely true, since soybean prices had already begun raising during the operation period of the scheme.
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- Even when the prices decline, it also happens simultaneously in neighbouring states such as Chhattisgarh and Uttar Pradesh and is not restricted to Madhya Pradesh alone.
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- Also, international prices of soybean (both in 2016 and 2017) were lower than prices in Madhya Pradesh during most of the period.
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- So it would be too simplistic to put the entire blame of lower prices on price cartelization by traders.
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What should be done?

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- Currently, the registration announcement is delayed and lags behind the arrival of the crop in the mandis.
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- This needs to be rectified and the post-harvest span for the identified crops need to cover the full arrival period so that arrivals are spaced out and possibility of prices crashing is pre-empted.
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- This will benefit small and marginal farmers, who have limited holding capacity and are in a hurry to offload their produce, the most.
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- Further, the auction system needs to be improved so that collusion is not possible, and, for this, e-NAM could be an appropriate intervention.
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- The use of technology in agriculture mandis, whether it is for price discovery or assaying, will go a long way in bringing about much needed transparency.
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- Thus, the recent announcement of Madhya Pradesh government that the scheme would be implemented in a new form is a welcoming step in this regard.
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Source: The Hindu, Livemint

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