Demand for Legal Guarantee on MSP

What is the issue?

With continuous demands on a legal mandate for minimum support prices (MSP), Prime Minister Narendra Modi has announced the setting up of a panel to deal with issues concerning MSP.

What is MSP?

- MSPs are the prices at which the government promises to procure agricultural produce from farmers.
- At present, the government announces MSPs for 23 crops – 7 cereals, 5 pulses, 7 oilseeds and 4 commercial crops.
- MSPs are announced by the government at the beginning of the sowing season on the basis of the recommendations of the **Commission for Agricultural Costs and Prices (CACP**).
- MSP is then approved by **Cabinet Committee on Economic Affairs** to protect the farmers against excessive fall in price during bumper production years.
- At present there is no legal compulsion for the government to procure the crops at MSP.

What are the problems of providing statutory backup to MSP?

- India has had MSPs for several crops for several decades now, but that has not resolved the problem of agrarian distress.
- Guaranteed MSP can have quite a few unintended consequences such as increased production with low demand, similar to the Carter's dairy support programme in the U.S.
- MSPs are short-term measures and are not a sustainable solution for all of Indian agriculture.
- The already procured grain stocks lying with the government are more than twice its buffer requirement and sometimes end up rotting.
- If MSP were to be extended to 23 crops, the annual budgetary support of Rs.1.3 lakh crore will have to be multiplied several times over.
- Also, the price support is restricted to the regions of Punjab and Haryana and skewed in favour of few crops such as paddy and wheat.

- Paddy cultivation is promoted in dry, non-rainfed regions creating water scarcity with monoculture adding to pest and disease incidences.
- It has been said that if MSP becomes law, then big farmers will take produce from small farmers and sell them to the government and this will put small farmers in more trouble.
- In making the MSP mandatory, there will be difficulties regarding the quality of the crop, because the government has to decide which quality will be procured at MSP, and what will be the rate for the poor quality, and who will buy it.
- The state agencies have to end up buying almost everything and will need to resort to Open Market Sales at lower prices while traders will buy from FCI at a lower price and make a profit with the government losing huge sums of money.

What is the significance of constituting MSP panel?

- It marks the Centre's resolve to keep the farm reform agenda alive despite the resolute opposition by farmers from Punjab, Haryana and Uttar Pradesh.
- The intent to include Central and State government representatives, farmers, scientists and economists on the panel will add to its credibility.
- It should be perceived as an apolitical body that is open to consultations.
- Its task is on three aspects of the reforms
    - Introducing private wholesale markets
    - Removing stockholding limits
    - Promoting contract farming

How can the agrarian distress be addressed?

- **Boosting investment and infrastructure** - The focus in agriculture should be on boosting investment ,infrastructure and marketing.
- Better irrigation facilities, easier access to credit, timely access to power, creating lots of warehouses, and ramping up of extension services including post-harvest marketing is the need of the hour.
- **Boosting India's industrial and services sectors** - These sectors can absorb the excess labour engaged in extremely unremunerative farm activities and provide them with well-paying jobs.
- Since agriculture accounts for just 17% of India's GDP while employing 55% of its population, the solution to the economic distress of Indian farmers lies outside agriculture**.**
- **Direct income support** - Instead of arbitrarily fixing prices of goods in

the market, the more effective way might be to provide direct income support to the poor farmers.

- **Promote innovation** - The harsh truth is that the young do not see farming as a viable occupation and are fleeing to cities.
- The average income of a farmer can double from Rs. 9,000 a month over the next few years only by creating opportunities for innovation.

References

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