Farming - price deficiency mechanism

Why in news?

\n\n

In line with the NITI Aayog's earlier suggestion, Madhya Pradesh government has announced a new price deficiency payment mechanism.

\n\n

What is it about?

\n\n

\n
- The price deficiency mechanism aims at **compensating farmers in cash for their failure to get the minimum support prices (MSP).**
\n
- Under this plan, the state will work out a “model price” by looking at past market rates in Madhya Pradesh and other states.
\n
- Subsequently, the farmers will be paid either the MSP or the model price, whichever is higher.
\n
- Initially, the scheme will cover some selected pulses and oilseeds, where the official procurement is typically low, unlike in rice and wheat.
\n
- But, subsequently it may be expanded to ensure remunerative returns for all major crops.
\n

\n\n

What is the need for this?

\n\n

\n
- As highlighted in one of the recent reports of Niti Aayog, MSP has many shortfalls in making farming profitable for farmers.
\n
- **Unremunerative** - It blamed the MSP system for **distorting agricultural markets** and cropping pattern in favour of two main staple cereals - rice and

wheat.
\n
- Also, the post-harvest peak marketing season and the resultant price fluctuation lead to **inadequate price realisation** for farmers.
\n
- In many cases, prices received by growers fail to cover even their production costs due to a bumper harvest-driven price crash.
\n
- **Coverage** - MSP is largely confined to wheat and rice and to some extent to cotton and sugarcane.
\n
- Also region wise, it is confined to parts of a handful of states where the procurement, transportation and storage infrastructure exists.
\n
- For other crops and other places, MSP is seeming irrelevant and growers are forced to go in for distress sales.
\n
- **Reach** - NSSO survey reveals that a very few percentage of farmers knew of MSP and that only a few within that managed to sell their produce at MSP.
\n
- Besides these, MSP causes needless accumulation of stocks in the government coffers, involving huge maintenance costs and storage losses.
\n

\n\n

What is the way forward?

\n\n

\n
- As production costs vary from region to region and even from farmer to farmer, the present concept of “one nation, one MSP” should be modified to address the regional concerns.
\n
- Farmers should be made aware of the various schemes that the government run for their benefit.
\n
- The risks associated with price fluctuations can be addressed with the new non-market intervention-based system.
\n
- The proposed new system has also the potential to avoid physical handling and warehousing of commodities.
\n
- The price deficiency payment mechanism thus can go a long way in making farming remunerative.

\n

\n\n

\n\n

Source: Business Standard

\n