

Hiked MSP for Kharif Crops.

Why in news?

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The Union Cabinet has approved a hike in minimum support prices (MSPs) for kharif crops.

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What is the decision?

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- The present hike is in line with offering MSP at 50% higher than the cost of production.

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- MSPs were announced for 14 commodities.

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- This includes a Rs.200 per quintal increase in the MSP for paddy.

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- Major hikes are seen in cereals such as bajra, jowar and ragi, as well as cotton.

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What are the benefits?

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- **Economy** - The hike would boost farmers' income and purchasing capacity.

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- It would also have a positive impact on the wider economy.

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- Government has ruled out fears of rising inflation due to higher food prices.

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- **Crops** - The move helps increasing pulses output and reducing dependency on imports.

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- The Centre has also sought to push millets cultivation.

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- This would benefit dryland farmers as well as the nutrient intake of all consumers.

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What are the concerns?

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- **Procurement** - Paddy is the major kharif crop, directly procured by the Food Corporation of India.
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- But, there are no guaranteed mechanisms for procurement of most other crops.
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- Shanta Kumar Committee report highlights that only 6% of all farmers sell their produce to a procurement agency.
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- The hike would be useful only for paddy farmers in states with a strong procurement machinery.
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- **Price** - High MSPs may end up fuelling inflationary expectations.
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- But without procurement, the excess production would only bring down the price.
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- It is then usually sold in the post-harvest peak marketing season at prices far below the MSP.
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- The MSP hike would then actually turn against farmers' interest.
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- **Cost** - MSP hike for kharif crops is based on A2+FL costs.
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- This includes family labour, but not land costs.
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- Farmers however demand a more comprehensive C2 costs which includes land costs.
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- E.g. If MSP had been announced on C2 basis, paddy price would have risen by at least Rs 700 per quintal.
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- **Financial** - Paddy hike alone is likely to inflate the food subsidy bill by over Rs.15,000 crore.

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- The additional financial burden of the price push is said to be at around Rs 335 billion.
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- This estimate is only for the kharif crops for which new prices have been approved.
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- The actual annual burden would rise when MSPs of next rabi crops are also raised likewise.

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What could be done?

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- These rates have to be ensured to the growers of all the crops and in all areas.
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- The [price deficiency payment](#) mechanism suggested by NITI Aayog could be considered.
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- **Income** - India's subsistence farmers need support systems other than MSP to alleviate distress.
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- Policymakers need to shift from price support to income support.
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- With the systems in place for direct transfers, the time is ripe.
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- Income support, unlike MSP, will not be contentious with the WTO rules.
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- **PDS** - Support prices are largely being used to serve populist ends.
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- Instead they must be supplemented by a drive to improve the PDS network.
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- This would benefit the rural households from cheap retail grain as well.
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- **Infrastructure** - There is a need for a robust procurement infrastructure.
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- Purchase centres, transportation and storages have to be ensured.
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- **Markets** - Rice and wheat stocks are generally pushed through the public distribution system.
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- Hence, ways and means to dispose of the procured stocks of other commodities should be found.
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- Markets must operate freely, with no curbs on exports.
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- This will allow farmers to get rewarded for output and quality of produce.
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Source: The Hindu, BusinessLine

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