Ineffective MSP

What is the issue?

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The newly released Minimum Support Price (MSP) for crops has some problems.

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What is MSP?

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- Minimum Support Price is the **price at which government purchases crops from the farmers.**
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- Commission for Agricultural Costs and Prices (CACP) recommends Government of India to fix MSP before sowing season.
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- The objective of the MSP is to ensure remunerative prices to the growers, by encouraging higher investment and production.
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- At present, **the MSP covers 24 crops,** which includes cereals, pulses, oilseeds, copra, raw cotton, raw jute and tobacco.
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What are the concerns with present MSP?

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- Market prices of some crops have gone below the MSP which could discourage sowing.
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- Except in the case of paddy and wheat, minimum support price has yet to offer remunerative prices.
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- The government's pricing policy for the 2017 kharif crops might worsen the farmers demand.
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- The new MSPs for major kharif crops are only marginally higher than those of the previous season.
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What makes the new MSPs worse?

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- For cotton, moong and sunflower seed MSP is lower than the actual expenses incurred in cultivation.
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- Farmers are staring at a net loss in the coming season.
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- Low increases in MSPs ease their distress.
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- Overall value of farm produce has also been on a slide for several years.
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- The costs incurred by farmers on inputs such as seeds, fertilisers, pesticides and labour are rising faster than the prices of their produce.
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How this issue can be addressed?

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- Government need to **provide Procurement support to the farmers.**
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- Government can fix support prices at 50% above actual costs.
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- Effective and successful market intervention based MSP to other crops should be considered.
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- The **“price deficiency payment mechanism”** mooted by a task force of the NITI Aayog should be implemented.
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- Trying out such a setup on a pilot basis would be a reasonable starting point.
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Source: Business Line

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