Issues in MSP

What is the issue?

\n\n

Amid farmers' unrest in many parts of the country, the demand for an increase in minimum support price (MSP) has been voiced regularly.

\n\n

What is MSP?

\n\n

\n
- MSP is the price at which the government offers to procure farmers' produce during the season.
\n
- The farmers are free to sell their produce to government agencies or in the open market.
\n
- It is when market prices fall below the MSP that government agencies step in to buy the crop to protect the growers.
\n
- It aims to safeguard the interest of the consumer by ensuring supplies at a reasonable price.
\n

\n\n

How MSP is fixed?

\n\n

\n
- The Cabinet Committee of Economic Affairs announces the MSP at the start of each sowing season, taking into account the recommendations of the Commission for Agricultural Costs and Prices (CACP).
\n
- The key considerations, while recommending the MSP for crops, are demand and supply, production cost, price trends in the domestic and international market and the likely implications of the price on consumers.
\n

- The CACP's recommendations are in the form of price policy reports every year, separately for five groups of commodities: kharif crops, rabi crops, sugarcane, raw jute and copra.
\n
- At present, agricultural commodities for which MSP is given include paddy, wheat, maize, sorghum, pearl millet etc..
\n

\n\n

When MSP was introduced?

\n\n

\n
- The Union government set up a committee on August 1, 1964 to advise the Agriculture Ministry to determine the prices of rice and wheat.
\n
- The domain of coverage was expanded to coarse cereals.
\n
- Later, the government decided to set up a permanent body, called the Agricultural Prices Commission, in 1965.
\n
- This was renamed as the Commission for Agricultural Costs and Prices in 1985.
\n

\n\n

Why MSP is needed?

\n\n

\n
- The key purpose of the government's price support policy is to provide a fair return to farmers and to protect the interests of consumers by keeping the prices of food and other agriculture commodities at reasonable levels.
\n
- Agricultural commodities are prone to price fluctuations.
\n
- MSP ensures that farmers get a minimum price for their produce in unfavourable market conditions.
\n
- Also with MSP, farmers are incentivised to grow crops, which are short in supply.
\n
- In the absence of support price, farmers may not find certain crops lucrative, which would lead to poor production, resulting in high prices.

\n

\n\n

What are the problems?

\n\n

\n

- Farmers across the country have been facing problems of selling their produce at the minimum support price.
  \n
- Problems like delay in the setting up of procurement centres, exploitation by commission agents defeat the purpose of MSP.
  \n
- Taking advantage of the complexities in the supply chain, middlemen appear to be causing disparities in the price.
  \n

\n\n

\n\n

Source: The Hindu

\n

