Issues with MSP

Why in news?

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Increase in MSP alone won’t benefit farmers, issues of procurement and credit need to be addressed.

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What is the background of the issue?

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- Farmers look for support from various quarters on account of being unable to get a gainful return due to price crash, poor marketing facilities, rising credit burden, increasing cost of inputs and frequent occurrence of natural calamities.
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- A prolonged unrest in rural India such as the decision of Andhra Pradesh farmers not to sow in the 2011 kharif season and mark a ‘crop holiday’ protest will have serious consequences for food security.
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- Agricultural distress has become a permanent feature due to the failure of not only elected governments to find a lasting solution but also local institutions such as community or social networks which are supposedly weakening because of increasing individualisation.
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- The consequence is that helpless farmers are increasingly pushed to the brink of committing suicides.
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What are the demands and reasons for the distress?

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- The distress seems to have reached a tipping point, with scenes of dejected farmers throwing agricultural produce such as vegetables and milk on the

roads becoming a routine feature in recent years.
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- They want a reasonable price for their produce, better marketing facilities, institutional credit, irrigation, quality seeds and fertilisers, procurement during times of market glut and a social safety net during natural calamities.
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- These are the basic inputs and services farmers need to continue to engage in agricultural production.
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- Many committees and commissions constituted to address agrarian issues, their recommendations have been shelved by successive governments.
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- The non-availability of remunerative prices to farmers on agricultural produce is a vexed issue and emerges as the prime issue in various research studies wherein farmers are asked to rank production constraints.
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What are the problems with MSP?

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- Some critics argue that a rise in the MSP will lead to increase in food inflation, while others that it will augment farmers' income.
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- Both arguments rest on the mistaken notion that the MSP is a remunerative price.
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- It is actually an insurance price, a floor price of sorts, Besides, a vast majority of the farming population is unaware of its existence.
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- The Government of India has an MSP for 23 crops, but official procurement at the MSP is effectively limited to rice and wheat, and that too concentrated in a few States only.
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- Awareness about the MSP is limited to States such as Punjab, Haryana and Andhra Pradesh where such procurement takes place.
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- Even for paddy and wheat, less than one-third of farmers were aware of the MSP, for other crops, such awareness was negligible.
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- There exist intervention schemes to undertake the procurement of commodities whose market prices go below the MSP, but on most occasions the marketing season of bumper crops gets over by the time a bureaucratic

decision on procurement is taken.
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What are the credit problems faced by the farmers?

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- Over 40% of farmers still rely on non-institutional lenders, who mostly happen to be moneylenders-cum-traders and input dealers.
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- At the macro level, it would appear that there is an increase in credit flow to the agricultural sector but this has actually accrued to agro-business firms/corporations and not directly to the farmers.
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- Consequently, marginal and small farmers continue to rely on traders and input dealers.
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- A substantial proportion of crops are sold to local private traders and input dealers to whom the resource-poor marginal and small landholders are obligated to sell their crops due to tie-up with credit.
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What is the way forward?

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- There are rising aspirations among rural youth to emulate urban lifestyles put enormous pressure on them to find ways to increase income through various agricultural activities.
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- Unfortunately, income from crop cultivation, which is a major segment of agriculture, is not growing enough to meet the expected level.
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- The promotion of traditional farming at this juncture of agricultural development will take the sector to where it was decades ago.
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- Livestock acts as a cushion against crop loss during times of drought. The new rules on animal markets will put poor farmers and landless labourers in a fix.
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- While other developing countries are moving towards modernisation of

agriculture which would reduce dependence of labour force and enable a rise in productivity, Indian agriculture is cluelessly obscure ahead.
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- Unless the fundamental problems of crop and regional bias of MSP policy, government procurement and access to institutional credit are addressed, mere increase in MSP will not benefit most farmers in the country.
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Source: The Hindu

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