Market Assurance Scheme

What is the issue?

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- Central government proposes to launch the new “market assurance scheme” (MAS).
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- Given the shortfalls with similar systems already in place, the proposal needs a relook.
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What is the market assurance scheme?

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- It is a new price support scheme under which states would be free to procure from farmers all crops for which MSP is announced.
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- States can procure any quantity of coarse grains, millets, pulses and oilseeds, except rice and wheat.
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- As, rice and wheat are already being procured by the centre for the public distribution system.
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- Under MAS, the centre will compensate states for any losses due to procurement, capped at 30% of the procurement cost.
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- For hill states and those in the north-east, the ratio of compensation will be 40%.
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- It will be the concerned states’ responsibility to dispose of the procured crops.
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What is the need?

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- The proposal comes in the backdrop of protests and demands by farmer groups for remunerative crop prices and loan waivers.
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- Currently MSPs are announced for 23 crops but only paddy and wheat procurement is effective.
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- Procurement by the centre of pulses and oilseeds in small quantities calls for a better system in place to address farmer distress.
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- Under MAS, states are given the freedom to choose which crop to procure and in what quantities, when wholesale prices drop below MSPs.
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- States will also be free to use the procured crops for targeted nutrition support programmes or sell them in the open market.
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- The scheme proposes to strengthen the procurement mechanism by ensuring farmers do not suffer from marketing inefficiencies.
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What are the concerns?

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- **Markets** - Poorly functioning agriculture markets with lack of competition, cartelization and opaque price discovery which are causes of price distortions stand unaddressed.
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- **Infrastructure** - The scheme will require the deployment of huge manpower and creation of massive infrastructure for purchasing, transporting and storing.
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- Ensuring these may not be affordable for the state governments.
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- **Agri practices** - The earlier physical market intervention-based system of price assurance in the case of wheat and rice has not been without its own disadvantages.
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- It has resulted in:

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i. distortion of the cropping pattern
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ii. alienation of the private trade from the grain market
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iii. unwarranted accumulation of stocks on the government account
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- Replicating the same in other crops would be ill-advised.
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- **Fiscal** - There is a concern that the scheme could place fiscal pressures on the Union government.
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- There are also some unfulfilled preconditions in place for the successful functioning of a scheme that spends public money.
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What should be done?

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- A lasting solution lies in making farming profitable by reducing production costs and improving returns on the produce.
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- In this context, MAS is a more temporary measure and an eventual solution is to bring in greater competition in agricultural markets.
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- Agricultural marketing reforms wooing private investment in setting up crop *mandis* to enhance competition must be expedited.
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- The price deficiency payment mechanism is another novel way to address price distress. Click here to know more.
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- There is also a need to put in place stable policies for agricultural pricing and trade, both external and domestic.
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- In all, the Centre should take lead to put a proper system in place instead of passing on the responsibility to the states.
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Source: Business Standard, Livemint

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