MSP and Farmer Concerns

Why in news?

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- Centre announced the ‘Minimum Support Price’ (MSP) for the oncoming rabi season.
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- Price incentives for farmers should be followed up by better marketing infrastructure.
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What has been MSP impact recently?

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- Current MSP rates saw a small increment for cereals, while promoting a shift towards pulses and oilseeds.
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- Increases have moderated since 2013 - cereals have seen an increase of merely 6-7% while pulses have been higher at 8-10%.
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- Consistent emphasis on pulses has translated into improvements in acreage and output.
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- 158 lakh hectares has been brought under rabi pulses in 2016-17, against 142 lakh hectares in the previous year.
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- The acreage under Gram (chana) - the principal rabi pulses crop, increase by 10% and accounted for 98 lakh hectares in 2016-17.
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- All this saw the production of record output of nearly 23 million tonnes of pulses.
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What are the problems?

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- While MSP can increase out and also change cropping patterns, it cannot work wonders in isolation.
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- The meagre MSP rise has evoked an angry response from farmer organisations, who claim that even cost recovery is a challenge.
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- Also, the delays in government procurements has been a point of concern alongside a lacklusture private marketing infrastructure.
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How does the future look?

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- Economic Survey 2016-17 has suggested a shift towards controlling input prices through ‘Direct Benefits Transfer’ instead of MSPs.
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- While streamlining subsidy deliveries, the need for farmers to live with dignity and income security should not be overlooked.
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- **Augumenting Prices -** NITI Aayog’s has suggested a ‘Price Deficiency Payment Mechanism’.
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- The proposal is to just transefer funds to farmers to bridge the gap when market prices fall below MSP instead of procuring directly.
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- This is fraught with implementation issues and runs the intrinsic risk of trader misuse.
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- **Market Infrastructure -** Supplementing government initiatives with better private marketing infrastructure is critical.
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- Increasing the number of mandis (estimated at 7,700 currently) is to be considered for enabling a better price discovery.
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Source: Businessline

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