New Procurement Policy

Why in news?

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Cabinet Committee on Economic Affairs approved the implementation of "Pradhan Mantri Annadata Aay Sanrakshan Abhiyan" (PM-AASHA) recently.

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What does the scheme contain?

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- It aims to provide minimum support price (MSP) assurance to farmers.
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- The new scheme has three components —
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1. Price Support Scheme (PSS)
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2. Price Deficiency Payment Scheme (PDPS)
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3. Pilot of Private Procurement & Stockist Scheme (PPPS).
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- It **clubs together** the existing procurement schemes with newly introduced options.
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- PDPS has been framed on the lines of the Madhya Pradesh government's Bhavantar Bhugtan Yojana (BBY) to protect oilseed farmers.
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- Under this, farmers will be compensated to the extent of difference between MSP and market price subject to a ceiling price which may not exceed 25%

of the MSP.
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- Under PPPS, the selected **private agency** shall procure oilseeds at the MSP from the registered farmers whenever prices in the market fall below the notified MSP.
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- A maximum service charge of up to 15 per cent of the notified MSP will be payable to the agency as an incentive.
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- This is similar to PSS in the **physical procurement** of the notified commodity, it will only substitute PSS in the pilot districts.
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What are the challenges?

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- Under the MSP policy, the government fixes the rates for 23 notified crops grown in kharif and rabi seasons.
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- MSP was set at 50% higher than the farmers' production costs this year, including labour cost to give remunerative prices to the farmers.
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- However, most of the 21 other crops are sold at market prices, often below the MSP, as the government's **procurement operations are temporary**.
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- Though the government has increased the procurement of pulses and oilseeds at MSP under the existing PSS, it was way below the production target.
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- For example, NAFED procured 31.9 lakh tonnes of pulses and oilseeds at the MSP in 2017-18, though the total production of pulses and oilseeds was estimated at 240 and 300 lakh tonnes respectively.
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- Also PDP experiment in Madhya Pradesh shows, **cartelisation** was witnessed, wherein traders forced farmers to take lower prices from them on account of compulsory compensation from the government.
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- It also ends up helping traders and lower level mandi functionaries more than the farmers, despite best intentions of the government.
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What holds the key in successful implementation of the scheme?

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- Registration of all the farmers, especially small and marginal ones, must be ensured so that they receive their compensation on time.
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- Proper monitoring of the marketing system should be ensured, as in e-NAM, so that it will check rich farmers from exploiting the system.
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- It also depends on how effective the states will be in checking the manipulative practices of the traders.
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Source: Business Line, The Hindu

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