Shortfalls in PM-AASHA

What is the issue?

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- The new Pradhan Mantri Annadata Aay Sanrakshan Abhiyan (PM-AASHA) has failed to live up to the farmers' expectations.
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- Click here to know more on the scheme.
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What are the shortfalls?

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- The programme aimed at providing steeply hiked minimum support prices (MSPs) to farmers.
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- But most of the 14 kharif crops (MSPs raised to 50% above production costs) are currently selling at 10 to 40% below these rates.
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- The whole plan was finalised just before the beginning of kharif marketing.
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- This has left little room for states to do the necessary pre-launch groundwork.
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- Moreover, PM-AASHA has been mandated to be executed through the existing mandis.
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- Mandis are run by the Agricultural Produce Marketing Committees and are known for their inefficiencies and malpractices.
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- **Models** - The three agri-marketing models under the scheme are:
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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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- Notably, none of the three marketing models is flawless.
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- Nor are any of them financially attractive enough for the states.
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- The first two are already in operation in some states for selected crops.
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- But their benefits accrue only to a small section of farmers in a limited manner.
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- The price deficiency model suffers from cumbersome procedures.
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- The third option of extending price support through private trade is an innovative concept but needs efforts to encourage traders.
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- However, there was hardly any time to do so prior to the current kharif marketing season.
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- Nevertheless, this method and the price deficiency payment system are theoretically sound ideas.
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- It's because they spare the government of the burdensome and cost-intensive tasks of procuring, transporting, storing and finally off-loading the stocks.
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Is MSP still relevant?

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- The farm sector’s economic woes are rooted in outmoded and ill-advised agricultural marketing and pricing policies.
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- MSP-based procurement was conceived as a stimulant for higher production at the time of perpetual shortages.
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- But it has outlived its utility and is ill-suited in the present era of surpluses.
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- It has also distorted the market by delinking production/supplies from demand.
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- This has further accentuated the commodity surplus and put a further downward pressure on prices.
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What is to be done?

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- The production of commodities must match the combined demand in domestic and export markets.
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- The objective of income support for farmers has to be attained through cash price adjustments without distorting the market.
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- There is also the crucial need for incentivising the agri-exports in India.
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Source: Business Standard

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