Why this clamour for farm support price?

What is the issue?

Protest continues even after the central government has repealed the farm laws. Now they want the government to give a legal backing to MSP.

How successful was MSP initially?

- **History of MSP -** MSP was first announced in 1966-67 at the backdrop of acute food scarcity and Green Revolution was taking roots.
- The government wanted farmers to plant new high-yielding varieties of wheat and paddy. To motivate them to do so, it began to offer a minimum price for the two crops.
- Five decades later, India has not only become self-sufficient in food production but is struggling to manage the surplus.
- The system of MSP continues even today and has been extended to 23 crops. There are about 2.1 crore beneficiaries.

Why farmers are so concerned about MSP?

- Farmers continue to be at the mercy of nature. Occurrence of drought and floods has increased due to climate change. Crop insurance has mitigated this risk only partially.
- **The imperfect market -** However it is the fear of not getting adequate prices that forces the farmers to hang on to MSP.
- In an imperfect agricultural market middlemen form a cartel and beat the prices down.
- Met with limited market options farmers are tied to the local mandis and inevitably end up just about recovering their costs.
- **Not being agile -** Farmers too are responsible for this situation. They have not modernised their farming practices. This keeps their costs high and yield low.
- There is no planning involved (based on demand-supply outlook) Crop selection is influenced by herd mentality or faulty government policies such as MSP (only reason paddy is grown in Punjab) or FRP (only reason sugarcane is grown in Tamil Nadu).
- Unplanned cultivation has resulted in huge surplus and poor realisation.

- A large proportion of the farmers in the country have thus remained poor, often caught in a vicious debt trap with an unfortunate few taking their lives unable to bear the burden.
- Under the circumstances, MSP gives them something to hold on to and rumours of its possible removal got them really agitated.

What are the shortcomings of MSP?

- MSP is not universal in its coverage. It is not applicable to all crops but just 23 of them.
- Fruits, vegetables and livestock which account for 45% of India's agriculture, forestry and fishery output are not covered by it.
- Milk output which is more than the combined paddy and wheat production is also out of MSP.
- Moreover wherever MSP is applicable, not all farmers benefit from it.
- The Centre procures only eight crops at MSP and that too only in select regions across the country.
- In many parts of the nation, prices rule much below MSP for the 23 crops.

Is legal backup a full-fledged solution?

- One may argue that legal backing will tackle this problem but it will also open a Pandora's box.
- MSP will act as a disincentive to the farmers from modernising their processes.
- Experts have suggested that a statutory MSP can be implemented in two ways.

    1. Mandating the private players to purchase above MSP. This will distort the market and drive away private players.
    2. Government can buy all the output. But it cannot do so for just 23 crops. Other farmers will demand the same making it impractical and fiscally unmanageable.

What can be done?

- The better way is to create conditions for the farmers to upgrade their process and earn more income.
- They should be free to sell their produce to anyone and escape from the clutches of the middlemen.
- They must be able to enter into contract farming with the buyers who will also help them to modernise.

- Mandis should compete with corporates so that farmers get a better deal.
- **Farm Laws -** This is exactly what the three farm laws sought to achieve. But top-down approach on the strength of brute majority in Parliament did not work.
- A lot of ground work should have happened with the farmers before the law was introduced.
- States must be taken into confidence to spearhead these reforms and incentivise them for it.
- A model law can be developed for them to follow, if need be apart from ensuring adequate resources for funding this transformation.
- The Centre must work to open up export markets for various agricultural commodities through trade deals and use MSP to drive crop diversification even strongly
- Once the reform happens and farmers start earning more, those in other States will embrace it. Success, as they say, begets success.
- If that happens, MSP will remain just on paper and will come into play only under extraordinary situations.

Reference

1. https://www.thehindubusinessline.com/opinion/why-this-clamour-for-farm-support-price/article37915458.ece

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