



The basis of MSP

SCHEMES TO ENSURE MSP BENEFITS TO FARMERS

Market Assurance Scheme (MAS): States make direct payment of MSP into Aadhaar linked accounts. Clubs administrative costs of procurement, storage & price loss between farm harvest prices & MSP

Price Deficiency payment Scheme (PDPS): Doesn't involve physical procurement, seller farmers are paid the difference between MSP and sale prices

Private Procurement & Stockiest Scheme (PPSS): Empanelled & authorized private agencies get incentives to procure commodity at MSP

How existing system can be improved:

- Revise price support scheme
- Remove ceiling of quantity (25 quintal) for procurement from individual farmer
- Pre-register farmers to get the assured price at nearest procurement centre
- Enhance warehouse capacity, target to set up procurement centre within 20 km of a production hub



Context:

- The newly passed farm trade Bill – Farmers' Produce Trade and Commerce (Promotion and Facilitation) Bill – has raised concerns that farmers may no longer be assured MSP for their crop.

What is Minimum Support Price (MSP)?

- MSP is the price set by the government to purchase crops from the farmers, whatever may be the market price for the crops.
- MSP is declared by Cabinet Committee on Economic Affairs before the sowing time on the basis of the recommendations of the **Commission for Agricultural Costs and Prices (CACP)**.
- Support prices generally affect farmers' decisions indirectly, regarding land allocation to crops, quantity of the crops to be produced etc.

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- MSP assures farmers agricultural income besides providing a clear price signal to the market.
- The major objectives are to support the farmers from distress sales and to procure food grains for public distribution.

What is Procurement Price?

- Sometimes, the government procures at a higher price than the MSP. Here, the price will be referred as procurement price.
- The procurement price will be announced soon **after the harvest**.
- Normally, the procurement price will be higher than the MSP, but lower than the market price.
- The price at which the procured and buffer stock food grains are provided through the PDS is called as issue price.

What are the Farmers demanding with regard to MSP?

- They are demanding for a provision in the new law safeguarding the continuance of the existing minimum support price (MSP)-based procurement regime.
- A mere sentence in the new law to the effect that nothing in this Act shall stop the government from announcing MSPs and undertaking crop purchases at these rates as before.

What does the new law say about MSP?

- The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Bill does not give any statutory backing to MSP.
- There isn't even a mention of either "MSP" or "procurement" in the Bill passed by Parliament.
- Government has justified the move stating that the new legislation has "nothing to do with MSP". Instead, its objective is simply to grant farmers and traders the freedom of choice to sell & buy agricultural produce outside the premises of APMC mandis.
- MSP and procurement, according to government, are entirely separate issues
- MSP was not part of any law before. Nor is it part of any law today.



Is there any legal backing for MSP?

- The National Food Security Act, 2013 (NFSA), provides a legal basis for the public distribution system (PDS) that earlier operated only as a regular government scheme.
- The NFSA made access to the PDS a right, entitling every person belonging to a “priority household” to receive food grains at cheaper rates.
- MSP, by contrast, is **devoid of any legal backing**. Access to MSP, unlike subsidised grains through the PDS, isn't an entitlement for farmers. They cannot demand it as a matter of right.
- The government can procure at the MSPs if it wants to. There is no legal compulsion. Nor can it force others (private traders, organised retailers, processors or exporters) to pay.

What is the basis of MSP then?

- It is only a government policy that is part of administrative decision-making.
- The government declares MSPs for crops, but there's no law mandating their implementation.
- The Centre currently fixes MSPs for 23 farm commodities based on the CACP's recommendations —
 - ❖ **7 cereals** – paddy, wheat, maize, bajra, jowar, ragi and barley.
 - ❖ **5 pulses** – chana, arhar/tur, urad, moong and masur.
 - ❖ **7 oilseeds** – rapeseed-mustard, groundnut, soyabean, sunflower, sesamum, safflower and nigerseed.
 - ❖ **4 commercial crops** – cotton, sugarcane, copra and raw jute.
- CACP itself is not any statutory body but is an attached office of the Ministry of Agriculture and Farmers Welfare. It can recommend MSPs, but the decision on fixing (or even not fixing) and enforcement rests finally with the government.

What is speciality about Sugarcane crop?

- The only crop where MSP payment has some statutory element is sugarcane.

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- This is due to its pricing being governed by the Sugarcane (Control) Order, 1966 issued under the Essential Commodities Act.
- That order, in turn, provides for the fixation of a 'fair and remunerative price' (FRP) for cane during every sugar year (October-September).
- But even the FRP — which, incidentally, was until 2008-09 called the 'statutory minimum price' or SMP — is **payable not by the government**.
- The responsibility to make FRP payment to farmers within 14 days of cane purchase lies solely with the sugar mills.

Has there been any move to give MSP legislative backing?

- The CACP, in its price policy report for the 2018-19 kharif marketing season, had suggested enactment of a legislation conferring on farmers 'The Right to Sell at MSP'.
- This, it felt, was necessary "to instil confidence among farmers for procurement of their produce".
- That advice was however not accepted by government.

Conclusion:

- Along with market reforms for agricultural marketing envisaged through new farm bills, government should also increase the public farm infrastructure which will pose a tough competition in the free market.