



## MSP — the factoids versus the facts

**Crux:** The debate on agricultural issues must take into account the changing geography of procurement and the seller's profile. That only Punjab and Haryana farmers have benefited from the MSP is now truly a thing of the past.

### MSP

The MSP is meant to set a floor below which prices do not fall and is announced by the government for 23 commodities. It is the price at which the government 'promises' to buy from farmers if market prices fall below it. In fact, however, government procurement is heavily concentrated on wheat and rice, with other crops barely being procured.

### Myths about MSP

According to popular beliefs, few (6%) farmers benefit, only large farmers benefit, and only farmers of Punjab and Haryana (to some extent, western Uttar Pradesh) benefit.

#### Myth 1: Only 6% of farmers benefit from MSP

One, the 6% figure from the NSS data 2012-13 relates to paddy and wheat alone. Even here, however, among those who sold any paddy/wheat, the numbers are higher — 14% and 16%.

#### Myth 2: Only farmers of Punjab and Haryana and western Uttar Pradesh

The Government of India has made a systematic effort to expand the reach of MSP to more States, via the Decentralized Procurement (DCP) Scheme. Under the DCP scheme, the responsibility of procurement devolved to the State governments which were reimbursed pre-approved costs. FCI data suggest that by July 2015, as many as 15 States had taken up this programme.

1. Largely on account of it, procurement began moving out of 'traditional' States (such as Punjab, Haryana, western Uttar Pradesh). Until 2000, barely 10% of wheat and rice was procured outside the traditional States. By 2012-13, the share of the DCP States rose to 25-35%.
2. Among agricultural households which sell paddy under the procurement system, while 9% and 7% come from Punjab and Haryana, 11% are in Odisha and 33% are in Chhattisgarh.



3. An overwhelming majority of agricultural households selling wheat to the procurement agencies come from Madhya Pradesh (33%) compared to 22% from Punjab and 18% from Haryana. That only Punjab and Haryana farmers have benefited from the MSP is now truly a thing of the past.

### **Myth 2: Only large farmers have benefited**

1. In fact, procurement has benefited the small and marginal farmers in much bigger numbers than medium and large farmers.
2. At the all-India level, among those who sold paddy to the government, 1% were large farmers, owning over 10 hectares of land. Small and marginal farmers, with less than 2 hectares accounted for 70%. The rest (29%) were medium farmers (2-10 hectares).
3. In the case of wheat, 3% of all wheat-selling farmers were large farmers. More than half (56%) were small and marginal farmers.
4. Also, in Punjab and Haryana, the share of small and marginal farmers is not insignificant (38% and 58%, respectively, among paddy sellers).
5. In the non-traditional States that adopted the DCP scheme, the overwhelming majority of farmers who sell to State procurement agencies are small and marginal.
6. In Chhattisgarh and Odisha, for example, small and marginal farmers comprise 70-80% of all sellers to government agencies. Similarly, in Madhya Pradesh, nearly half (45%) of those who sell wheat to government agencies are small or marginal farmers.

### **Myth 4**

The range of claims made regarding, for example, the consequences of the MSP on diversification need to be examined as well. Among Punjabis who cultivated any crop, 21-37% did not grow paddy and wheat, suggesting that procurement in Punjab may not have prevented diversification to the extent we imagine.

### **Myth 5**

It is widely believed that for the first time, the new laws allow farmers to sell outside the Agricultural Produce Market Committee (APMC). But selling outside was already prevalent on a bigger scale than sales in Mandi. Even for



commodities for which MSP is announced, the proportion of sales via the mandi range is only between 10-64%.

### **Background:**

According to one definition, a factoid is “an item of unreliable information that is reported and repeated so often that it becomes accepted as fact”.

## **Friend and neighbour**

The virtual summit between Prime Minister Narendra Modi and his Bangladesh counterpart Sheikh Hasina, where they discussed issues ranging from the violent border incidents to the COVID-19 fight, demonstrates their desire to reboot India-Bangladesh ties that have faced challenges in recent months.

### **Strained relations:**

1. Bangladesh is a “major pillar” in India’s neighbourhood first policy.
2. Despite the friendship remaining solid, the border has been sensitive — at least 25 Bangladeshis were killed in the first six months of this year along the border by Indian forces, according to a rights watchdog.
3. The Teesta water dispute remains unresolved.
4. The Citizenship (Amendment) Act and the proposed National Register of Citizens, which Ms Hasina called “unnecessary”, have created a negative impression about India.
5. Above all, China is making deep inroads into Bangladesh by ramping up infrastructure investments and expanding economic cooperation.

### **Conclusion:**

Bangladesh is facing pressure from radical Islam. India should support her fight against the radical elements. So, it is imperative for India to bolster ties with this all-weather friend, and there may not be a better time to do so than when Bangladesh is to celebrate the golden jubilee of its independence. New Delhi should take a broader view of the changing scenario and growing competition in South Asia, and reach out to Dhaka with an open mind.