

FAQs

Demand for guaranteed MSP

Q What is the context ?

A Despite the announcement to repeal the three farm laws, farmers have decided to continue protesting for a legal mandate for Minimum Support Prices (MSP).

Q What is the Minimum Support Price (MSP) system?

A

- MSP is a form of market intervention by the Govt. of India to insure agricultural producers against any sharp fall in farm prices.
- MSP is price fixed by GoI to protect the producer farmers against excessive falls in price during bumper production years.

Q Who announces it?

A

- The govt. announces MSPs for 22 mandated crops and fair and remunerative prices (FRP) for sugarcane.
- MSP is announced at the beginning of the sowing season for certain crops on recommendations by Commission for Agricultural Costs and Prices (CACP).
- It is announced by Cabinet Committee on Economic Affairs (CCEA) chaired by the PM of India.

Q What is need MSP?

A

- The major objectives are to support the farmers from distress sales and to procure food grains for public distribution.
- They are a guaranteed price for their produce from the Government.
- In case the market price for the commodity falls below the announced MSP due to bumper production and glut in the market, government agencies purchase the entire quantity offered by the farmers at the announced MSP.

FAQs

Q Why is there Need for Guaranteed MSPs ?

A

- **No legal protection:** While the government does announce MSPs every year, it is not required to do so by law. The compulsion to procure on MSP is political, not legal.
- **Discretion of procurement:** But if there were to be a law backing the MSP regime, the government would lose its existing discretion in choosing not to procure.
- **Compulsion:** A legal mandate for MSP would force the government to purchase all the products that any farmer wants to sell at the declared MSP.
- **State-wide procurement:** It would also have to procure from all states, and all crops for which MSPs are announced.

Q What are the reasons of Failures of MSPs ?

A

- A legally mandated MSP regime is likely to be neither feasible nor sustainable in the long run since Demand-side constraints are never accounted while procuring.
- Already grain stocks lying with the government are more than twice its buffer requirement, and sometimes end up rotting.
- At a fundamental level, the problem is there are just too many people involved in Indian agriculture for it to be truly remunerative.
- To a great extent, the solution to the economic distress of Indian farmers lies outside agriculture in boosting India's industrial and services sectors.

Q What can be Possible way forward ?

A

- It seems logical that instead of bypassing the market by using MSPs, the government should make efforts to enable farmers to participate in the market.
- The way forward is to ramp up investment in the agriculture sector.
- This means better irrigation facilities, easier access to credit, timely access to power, and ramping up warehouse capacity and extension services, including post-harvest marketing.
- The approach has to be to raise the farmers' bargaining ability and choices before them.