



Fields of concern — on MSP for kharif crops

This article is related to Paper-III (Indian Economy)

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The Hindu

"Higher minimum support prices often do not translate into better returns for farmers."

Within months of announcing generous hikes in the minimum support price (MSP) for several crops in the kharif summer season, the NDA government on Wednesday approved an increase in the MSP offered for rabi crops. These increases mark a sharp change from the cautious approach adopted by the Narendra Modi government in raising MSPs during the first half of its tenure. The latest hikes are generous, even if they are moderate compared to those fixed for the kharif crop. By way of comparison, the highest increase over the previous kharif season's MSP was 52.5% for the cereal ragi. Now the highest season-on-season hike for the rabi crops is 20.6% for safflower. The MSP for wheat has been raised 6.1%, or Rs. 105 a quintal. For mustard, gram and masur dal, the increases are between 5% and 5.3%. The government says that with these prices, it has delivered on its promise that farmers will get a price at least 150% above their cost of production, and that their incomes will be doubled over time. The rabi crop will be planted in November, by which time Madhya Pradesh and Rajasthan (large producers of wheat and mustard, respectively) will be firmly in campaign mode. The BJP, which has to deal with anti-incumbency in both these States, has faced some flak over the Madhya Pradesh government's handling of farmer agitations. Clearly, it is now riding on the hope that the new MSPs will bolster its farmer-friendly credentials and further its prospects at the hustings.

It is no coincidence that the hikes were announced a day after thousands of angry farmers descended on New Delhi, stopped only by the use of water cannons and teargas. This is the latest in a long string of instances that signals the existence of underlying agrarian distress. But it is not merely the lack of adequate prices for farm output that has led to restiveness — the rise in costs of inputs such as fertilizers and diesel is also a reason for this. India's farm sector has multiple stress points, and ground-level procurement often does not take place at stipulated support prices. Barring paddy and, to a lesser extent, wheat, the MSP formula doesn't work for most crops in the absence of substantial



direct procurement by the government. Market prices for cotton are currently close to the MSP, but this is largely because of traders betting that export demand will rise due to the U.S.-China trade war. A robust mechanism that actually helps farmers get the declared MSP for a crop is being pursued through a price deficiency payment scheme and a private procurement plan. But this is still in a nascent stage and is not adequate. There needs to be a holistic reboot of the agriculture sector, particularly to address the restrictive trading policies and excessive government interventions that deter productivity enhancements.

Minimum Support Price (MSP)

Why in the discussion?

- Under the leadership of Prime Minister Narendra Modi, the central government is engaged in increasing the income of the farmers, giving a fair price for the crop and reducing the cost of the crop.
 - Over the past four years, the Modi government has taken several steps for farmers' welfare.
 - Just a few days ago the government has announced to increase the minimum support price of rabi crop after increasing the Minimum Support Price of kharif crops to more than 1.5 times.
- The government has initiated several schemes to achieve this goal, in addition to raising the productivity of agriculture besides other measures, so that farmers can get additional income.
 - According to NABARD report, there has been significant increase in the income of small and marginal farmers. It is clear from this that the goal of doubling of income will be achieved in time.
 - In rural areas, there are 48 percent of the farming families. In the year 2015-16, their annual income was Rs 1.07 lakhs per family, which was achieved through farming, livestock, non-agricultural activities and other types of employment.
 - In the year 2012-13, the income was 77.11 thousand rupees. In 19 of the 29 states, the rate is above 12 per cent, while in 15 states it is 10.5 per cent.
 - According to the report, 52 percent of the country's farmers are suffering from debt.

Recent reports of NABARD

- Farmers' earnings in the country are growing at an annual rate of 12 percent.
- To double the income of farmers till 2022, only 10.4 percent growth rate is needed.

Expected Questions (Pre Examination)

1. Consider the following statements regarding MSP-

1. Direct Procurement Policy Covers most of the crops under MSP formula.
2. Most procurement in Indian agriculture is done through supported price.
3. Last year maximum increase of MSP occurred in Ragi.

Which of the above statements is/are correct?

- (a) Only 1
- (b) 1 and 2
- (c) Only 3
- (d) All of the above

2. Consider the following statements-

1. Increase in MSP was more than the increase in expenditure during 2017-19 .
2. MSP is determined by the Finance Ministry.
3. MSP for all agricultural crops is issued in the country.

4. Minimum support price for sugarcane is announced by the Cabinet Committee on Economic Affairs.

Which of the above statements is/are incorrect?

- (a) Only 2
- (b) 2 and 3
- (c) 1, 2 and 3
- (d) All of the above

3. Inclusion of which of the following items in the MSP was recommended by the Swaminathan Committee?

1. Diesel
2. Fertiliser
3. Seed
4. Interest
5. Labour

Choose the correct answer using the code given below-

- (a) 2, 3 and 4
- (b) 1, 2 and 3
- (c) 1, 2, 3 and 4
- (d) All of the above

Note :

The answer of the pre-examination (expected questions) on 4 Oct is 1(d), 2(d) and 3(c).

Expected Questions (Mains Examination)

- Q. "Many tension points are inherent in agriculture sector of India which are indicating towards the existance of agriculture crisis." To what extent do you agree with this statement? (250 Words)**