



# IAS PARLIAMENT

*Information is Empowering*  
A Shankar IAS Academy Initiative

## **Demand for legal guarantee MSP**

### **Why in news?**

Farmer unions are demanding the legal guarantee of minimum support prices (MSP) announced for various crops which is not available now.

### **How can MSP be made legally binding?**

- There are two ways it can be done.
- One forcing the private buyers to buy crops not below the MSP which can also act as the floor price for bidding in mandi auctions.
- This practise is already prevalent in case of sugarcane crop where mills are required by law to pay growers within 14 days of supply.
- Second way can be buying the entire crop that farmers offer by the government at the MSP.
- In 2019-20, government agencies —FCI,NAFED- procured 77.34 million tonnes (mt) of paddy and 38.99 mt of wheat, at Rs 140,834 crore and Rs 75,060 crore at their respective MSPs.

### **How much of farmers' produce can the government buy at MSP?**

- MSP is now applicable for 23 farm commodities- 7 cereals, 5 pulses, 7 oilseeds & 4 commercial crops and MSP value for these crops amounts to Rs 10.78 lakh crore in 2019-20.
- However all this produce is not marketed as farmers retain part of it for self-consumption, seed for the next season's sowing and to feed their animals.
- The average marketed surplus ratio for different crops is estimated to be 75% costing over Rs 8 lakh crore.
- This is the MSP value of production that is the marketable surplus — which farmers actually sell.

### **What is the exact amount that government spends to ensure farmers get their MSP?**

- The following statements clearly explain the reality.

- Firstly sugarcane must be excluded from the calculations as they are paid by the sugar mills and not the government.
- Secondly, the government is already procuring many crops -paddy, wheat, cotton, pulses and oilseeds & their combined MSP value exceeds Rs 2.7 lakh crore in 2019-20.
- Thirdly, government agencies need not buy every single grain that comes to the market & procuring even a quarter or third of the market arrivals is enough to lift prices.
- For instance, CCI procured 87.85 lakh bundles out of the current year's projections of 358.50 lakh bundles which has led to open market prices crossing the MSP in most of the mandis.
- Fourthly, crops (wheat & paddy) bought on government account are distributed at super-subsidised rates under the National Food Security Act.
- The revenues realised from sales would partly offset the expenditures from MSP procurement.
- Hence the government undertaking the maximum required procurement for guaranteeing MSP to farmers may not be more than Rs 1-1.5 lakh crore per year.

### **What can we infer from this?**

- The government undertaking to buy at MSP is definitely better than forcing private players because sugar mills are unable to pay farmers on time despite having Sugarcane (Control) Order, 1966.
- However, even assured government MSP-based procurement is fraught with problems.
- MSPs today does not extend to fruits, vegetables and livestock products that together constitute 45% in the gross value of output of India's agriculture, forestry and fishing sector.
- But extending MSP to all farm produce and guaranteeing it through law is fiscally challenging.
- That is why economists increasingly are in favour of guaranteeing minimum incomes rather than prices to farmers.
- This can be achieved via DBT either on a flat per-acre (as in the Telangana government's Rythu Bandhu scheme) or per-farm household (Pradhan Mantri Kisan Samman Nidhi) basis.

**Source: The Indian Express**



# IAS PARLIAMENT

*Information is Empowering*

A Shankar IAS Academy Initiative