



## Price Deficiency Payment

### Why in news?

\n\n

The Niti Aayog, has recently released a three-year action agenda for the Centre suggesting the 'Price Deficiency Payment' (PDP) system among other reforms.

\n\n

### What is Price Deficiency Payment system?

\n\n

\n

- Under this, farmers will be compensated for the difference between the MSPs for select crops and their actual market prices.

\n

- For crops such as rice and wheat where MSP is effective now, the same will continue.

\n

- For other targeted crops, price deficiency payments system will be introduced.

\n

- However, notably there may be a cap on the extent to which the Centre will bridge the gap between MSP and market price.

\n

- A farmer would have to register with the nearest APMC mandi and report the total area sown, to avail this benefit.

\n

- The subsidy would be paid via Direct Benefit Transfer (DBT) into the farmer's Aadhaar-linked bank account.

\n

\n\n

### What are the benefits?

\n\n

\n

- **Subsidy Bill** - The government has been accumulating large food grain stocks in its godowns over and above the buffer requirement, leading to storage and wastage costs.

\n

- Under the new system, the government can pay in cash to farmers, the difference between the support and market prices.

\n

- This will actually reduce the need for the government to procure food crops, transport and store them, and then dispose of them under PDS.

\n

- Resultantly, as Niti Aayog proposes, this system can keep India's bill on food subsidies, and storage and wastage costs under check.

\n

- It can also address to an extent the world nations' concern on India's procurement subsidies being trade-distorting.

\n

- **MSP** - The MSP system has many flaws in execution which include:

\n

\n\n

\n

- i. limited geographical coverage.

\n

- ii. actual procurement being restricted to a few crops such as paddy and wheat despite announcements for 20-plus crops.

\n

- iii. skewed cropping pattern in favour of rice and wheat as a result of this.

\n

- iv. soil degradation and susceptibility of crops to pest as a result of this monoculture, leading to higher usage of chemical fertilisers and pesticides.

\n

\n\n

\n

- The PDP system is expected to address these shortfalls and negative results of MSP scheme.

\n

- As, it could be more effective than MSPs in ensuring that cropping patterns in India respond to consumer needs and that farmers actually benefit from price support.

\n

\n\n

\n\n

**Source: BusinessLine**

\n



**IAS PARLIAMENT**  
*Information is Empowering*  
A Shankar IAS Academy Initiative