

Hiked MSP for Kharif Crops.

Why in news?

\n\n

The Union Cabinet has approved a hike in minimum support prices (MSPs) for kharif crops.

\n\n

What is the decision?

\n\n

\n

- The present hike is in line with offering MSP at 50% higher than the cost of production.

\n

- MSPs were announced for 14 commodities.

\n

- This includes a Rs.200 per quintal increase in the MSP for paddy.

\n

- Major hikes are seen in cereals such as bajra, jowar and ragi, as well as cotton.

\n

\n\n

What are the benefits?

\n\n

\n

- **Economy** - The hike would boost farmers' income and purchasing capacity.

\n

- It would also have a positive impact on the wider economy.

\n

- Government has ruled out fears of rising inflation due to higher food prices.

\n

- **Crops** - The move helps increasing pulses output and reducing dependency on imports.

\n

- The Centre has also sought to push millets cultivation.

- \n
- This would benefit dryland farmers as well as the nutrient intake of all consumers.
- \n

\n\n

What are the concerns?

\n\n

- \n
- **Procurement** - Paddy is the major kharif crop, directly procured by the Food Corporation of India.
- \n
- But, there are no guaranteed mechanisms for procurement of most other crops.
- \n
- Shanta Kumar Committee report highlights that only 6% of all farmers sell their produce to a procurement agency.
- \n
- The hike would be useful only for paddy farmers in states with a strong procurement machinery.
- \n
- **Price** - High MSPs may end up fuelling inflationary expectations.
- \n
- But without procurement, the excess production would only bring down the price.
- \n
- It is then usually sold in the post-harvest peak marketing season at prices far below the MSP.
- \n
- The MSP hike would then actually turn against farmers' interest.
- \n
- **Cost** - MSP hike for kharif crops is based on A2+FL costs.
- \n
- This includes family labour, but not land costs.
- \n
- Farmers however demand a more comprehensive C2 costs which includes land costs.
- \n
- E.g. If MSP had been announced on C2 basis, paddy price would have risen by at least Rs 700 per quintal.
- \n

\n\n

\n

- **Financial** - Paddy hike alone is likely to inflate the food subsidy bill by over Rs.15,000 crore.

\n

\n\n

\n

- The additional financial burden of the price push is said to be at around Rs 335 billion.

\n

- This estimate is only for the kharif crops for which new prices have been approved.

\n

- The actual annual burden would rise when MSPs of next rabi crops are also raised likewise.

\n

\n\n

What could be done?

\n\n

\n

- These rates have to be ensured to the growers of all the crops and in all areas.

\n

- The [price deficiency payment](#) mechanism suggested by NITI Aayog could be considered.

\n

- **Income** - India's subsistence farmers need support systems other than MSP to alleviate distress.

\n

- Policymakers need to shift from price support to income support.

\n

- With the systems in place for direct transfers, the time is ripe.

\n

- Income support, unlike MSP, will not be contentious with the WTO rules.

\n

- **PDS** - Support prices are largely being used to serve populist ends.

\n

- Instead they must be supplemented by a drive to improve the PDS network.

\n

- This would benefit the rural households from cheap retail grain as well.

\n

- **Infrastructure** - There is a need for a robust procurement infrastructure.

\n

- Purchase centres, transportation and storages have to be ensured.
\n
- **Markets** - Rice and wheat stocks are generally pushed through the public distribution system.
\n
- Hence, ways and means to dispose of the procured stocks of other commodities should be found.
\n
- Markets must operate freely, with no curbs on exports.
\n
- This will allow farmers to get rewarded for output and quality of produce.
\n

\n\n

\n\n

Source: The Hindu, BusinessLine

\n

