

## Ineffective MSP

### What is the issue?

\n\n

The newly released Minimum Support Price (MSP) for crops has some problems.

\n\n

### What is MSP?

\n\n

\n

- Minimum Support Price is the **price at which government purchases crops from the farmers.**

\n

- Commission for Agricultural Costs and Prices (CACP) recommends Government of India to fix MSP before sowing season.

\n

- The objective of the MSP is to ensure remunerative prices to the growers, by encouraging higher investment and production.

\n

- At present, **the MSP covers 24 crops**, which includes cereals, pulses, oilseeds, copra, raw cotton, raw jute and tobacco.

\n

\n\n

### What are the concerns with present MSP?

\n\n

\n

- Market prices of some crops have gone below the MSP which could discourage sowing.

\n

- Except in the case of paddy and wheat, minimum support price has yet to offer remunerative prices.

\n

- The government's pricing policy for the 2017 kharif crops might worsen the farmers demand.

\n

- The new MSPs for major kharif crops are only marginally higher than those of the previous season.

\n

\n\n

### **What makes the new MSPs worse?**

\n\n

\n

- For cotton, moong and sunflower seed MSP is lower than the actual expenses incurred in cultivation.

\n

- Farmers are staring at a net loss in the coming season.

\n

- Low increases in MSPs ease their distress.

\n

- Overall value of farm produce has also been on a slide for several years.

\n

- The costs incurred by farmers on inputs such as seeds, fertilisers, pesticides and labour are rising faster than the prices of their produce.

\n

\n\n

### **How this issue can be addressed?**

\n\n

\n

- Government need to **provide Procurement support to the farmers.**

\n

- Government can fix support prices at 50% above actual costs.

\n

- Effective and successful market intervention based MSP to other crops should be considered.

\n

- The **“price deficiency payment mechanism”** mooted by a task force of the NITI Aayog should be implemented.

\n

- Trying out such a setup on a pilot basis would be a reasonable starting point.

\n

\n\n

\n\n

**Source: Business Line**

\n

