

Ineffective MSP

What is the issue?

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

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What is MSP?

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

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- Commission for Agricultural Costs and Prices (CACP) recommends Government of India to fix MSP before sowing season.
- \bullet The objective of the MSP is to ensure remunerative prices to the growers, by encouraging higher investment and production. $\mbox{\sc h}$
- At present, the MSP covers 24 crops, which includes cereals, pulses, oilseeds, copra, raw cotton, raw jute and tobacco.

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What are the concerns with present MSP?

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

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

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

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

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What makes the new MSPs worse?

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

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

• Low increases in MSPs ease their distress.

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- \bullet Overall value of farm produce has also been on a slide for several years. $\mbox{\ensuremath{\mbox{\sc h}}}$
- \bullet The costs incurred by farmers on inputs such as seeds, fertilisers, pesticides and labour are rising faster than the prices of their produce. \n

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How this issue can be addressed?

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- Government need to **provide Procurement support to the farmers.**
- Government can fix support prices at 50% above actual costs.
- Effective and successful market intervention based MSP to other crops should be considered.

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• The "price deficiency payment mechanism" mooted by a task force of the NITI Aayog should be implemented.

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 \bullet Trying out such a setup on a pilot basis would be a reasonable starting point. $\mbox{\ensuremath{\backslash}} n$

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Source: Business Line

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