

NITI Aayog's Suggestions for Farm Economy

Why in news?

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NITI Aayog made some key suggestions for the farm economy, in its recently released “Strategy for New India@75”.

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What are the key proposals?

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- The NITI Aayog's propositions include -

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- i. conversion of the Commission for Agricultural Costs and Prices (CACP) into an agricultural tribunal
- ii. replacement of minimum support prices (MSPs) with minimum reserve prices (MRPs) for auctioning the farm produce
- iii. setting up government collection centres and warehouses at the village or block level

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What are the concerns?

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- **CACP** - CACP is currently mandated to recommend the minimum support prices (MSPs).
- What purpose would turning CACP into a tribunal in line with provisions of Article 323(B) of the Constitution will serve remains unclear.

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- Tribunals are meant basically to adjudicate the disputes and not for going into issues like crop prices.
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- As, these issues should, typically, be dictated by the dynamics of demand and supply in the domestic and international markets.
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- **MSP** - At present, MSPs are worked out by the CACP keeping the farmers' interests, among other factors, in view.
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- NITI Aayog is right in acknowledging that the MSPs can only be a partial solution to boost the farmers' income.
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- However, their replacement with MRPs to serve as the starting point for auctions at mandis might prove even worse.
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- There is inefficiency of agricultural markets, diversity of trading systems and hold of the middlemen over farm commodities' commerce.
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- Given these, the reserve price-based auction system may not suit the farmers.
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- Traders operating in the regular mandis would simply refuse to quote higher bids, to force the farmers to sell their produce to them outside the market premises at throwaway prices.
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- **Storage** - The plea for crop collection and storage facilities at the village level sounds a little utopian.
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- Despite efforts and investments over the past, crop procurement and storage infrastructure has failed to expand beyond a few wheat and rice growing regions.
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- In all, these may not likely serve to mitigate farmers' distress by doubling their income.
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What are the other feasible proposals?

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- NITI Aayog has suggested ending power and water subsidies and, instead, offering fiscal sops for micro-irrigation (like drip irrigation).
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- It has also emphasised on bringing in coherent and stable agricultural export policies, ideally with a time horizon of 5 to 10 years.
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- Such a policy regime is imperative to create a reliable export window as an outlet for the surplus farm produce.
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- [However, the recently announced national policy for agri-exports does not conform to this principle.
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- It has ample room for restricting exports at any time to manage the domestic prices of mass-consumed farm items.]
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- Besides these, the NITI Aayog has called for
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- i. diluting the Essential Commodities Act
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- ii. promoting contract farming
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- iii. encouraging futures trading for better price discovery
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- iv. facilitating sale of farm produce at relatively higher prices in the off-seasons
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- The recommendation to confer full-fledged infrastructure status on the post-harvest value chain to enable them to access the available fiscal incentives is also welcome.
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- It is now essential that these workable suggestions are implemented.
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Source: Business Standard

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