

Q4. Recently, the government of Maharashtra has made buying at MSP mandatory in the state for traders. Is such a move a right approach to address prevailing farm distress in the state? Comment.

The mandate of successive governments across the states of India have been to improve the state of farmers, and government of Maharashtra has rightfully intervened the market to check the income of farmers.

Considering the increase in farmer suicides, particularly in the state of Maharashtra, any market intervention by the government to improve the farmer income is a welcome move.

By making traders buy commodities at MSP mandatorily, the newly introduced 50% hike in MSP is confirmed but disturbs the dynamics of market as follows —

→ legitimises the inefficiency of state to eliminate the middlemen. Instead, the state could have encouraged direct connect to market via e-NAM (National Agriculture Market)

- middlemen  
- open market  
- IR-peace  
- e-NAM  
- Zero  
Farmer

- Retail prices are bound to increase unless the government ensures suitable compensation to traders.
- Traders may procure from nearby states at lower prices, leaving the state to be the wholesale trader which otherwise could have been avoided.
- Could lead to Cobweb Phenomenon ~~where~~ if the government reverses its decision the next year due to lobbying from trader's association.

With Peace Clause still in picture & no certainty over it and increasing tendency to follow open economy in India, the right approach to address prevailing farm distress is to reduce input costs, via Zero Budget Farming and training the farmers to adopt e-NAM.