

## From Plate to Plough: The right agri-support

With farm prices of several commodities falling way below their minimum support prices (MSPs) in 2016-17 and 2017-18, farmers have been under increasing stress. The Centre and several state governments are searching for ways and means to support farmers. In his recent address (Mann ki Baat), the prime minister stated emphatically that his government will increase MSPs to cover “all costs” of farmers plus 50 per cent. He even went on to enumerate many items of farm expenditure. But what he recounted was basically cost A2+FL (paid out costs plus imputed value of family labour) and not cost C2, which is comprehensive cost including imputed rental value of owned land and imputed interest on owned capital.

The big issue, however, is not just announcing higher MSPs but how to ensure that farmers really get it. Although the Centre regularly announces MSPs for 23 commodities (including Fair and Remunerative Price (FRP) for sugarcane), its implementation remains a distant dream. Except paddy, wheat and sugarcane in major procuring states, the announcement of MSPs remains largely indicative in nature.

The Madhya Pradesh government tried to help farmers through the Bhavantar Bhugtan Yojana (BBY), a price deficiency payment (PDP) scheme, in kharif 2017. But it gave up abruptly in the rabi marketing season as the scheme could not cover even 25 per cent of the harvest, even though prices of most crops were way below their MSPs. The Centre is debating whether to scale up the PDP scheme or procure through private trade or look at direct income support (DIS) on a per hectare basis — along the lines of schemes announced by Telengana and Karnataka — for the coming kharif season.

We examine here the potential costs of scaling up the BBY/PDP scheme and DIS at the all-India level. Scaling up BBY/PDP scheme requires reaching all farmers, registering their market arrivals, and paying them the difference between the MSP and market prices. We don't see how it can be done at the all-India level, especially in states where there is hardly any system of registering market arrivals in mandis (like Bihar and much of UP), and where small farmers sell at the farm gate itself. But if it is done, and somehow a system is erected to reach all farmers, it is going to cost between Rs 43,700 crore to Rs 87,400 crore — a conservative estimate — depending upon whether the market prices are 10 per cent below MSPs or 20 per cent below MSPs. For many pulses and oilseeds, market prices are currently more than 20 per cent below their respective MSPs. In that case, the costs will be even higher.