

# SBI ECOWRAP REPORT PROPOSES 5 KEY AGRICULTURAL REFORMS THAT ARE ESSENTIAL

Relevant for: Indian Economy | Topic: Issues related to direct & indirect Farm Subsidies and MSP

SBI Ecowrap report: Instead of MSP as a price guarantee that farmers are demanding, the Government may ensure a quantity guarantee clause for a minimum period of 5 years

A research report from the State Bank of India's Economic Research Department, SBI Ecowrap, has proposed 5 key agricultural reforms that could act as enablers even without them. In a surprise announcement on Friday, PM Modi announced to repeal all the three [agriculture laws](#) and will complete the constitutional process in the upcoming winter session of Parliament.

"We believe the following 5 agricultural reforms are essential," SBI Ecowrap said.

- 1) First, Instead of MSP as a price guarantee that farmers are demanding, the Government may ensure a quantity guarantee clause for a minimum period of 5 years that make it mandatory of procurement to production percentage of crops (being currently procured) being at least equal to last year percentage (with safeguards in exceptional events like droughts, floods etc).
- 2) Second, converting the Minimum Support Price to Floor Price of Auction on National Agriculture Market (eNAM). However, this will not completely solve the problem as the current data shows that average modal prices in e-NAM mandis are lower than the MSP in all Kharif commodities (except Soyabean).
- 3) Third, efforts must also continue to strengthen APMC market infrastructure. As per our estimates which are based on a government report, the monetary loss for cereals is almost 27,000 crore due to harvest and post-harvest losses. The losses for oilseeds and pulses are 10,000 crore and 5,000 crore, respectively.
- 4) Fourth, establishing a Contract Farming Institution in India will have the exclusive right to oversee price discovery in Contract Farming. Contract farming has been instrumental in many countries by providing growers access to supply chains with market and price stability, as well as technical assistance. The experience of Thailand shows market certainty (52%) and price stability (46%) were prime factors due to which farmers participated in contract farming.
- 5) Fifth, ensuring a symmetric procurement across states. The procurement of cereals had continued to be asymmetric, with top producing states in paddy like West Bengal (First) and Uttar Pradesh (Second) witnessing minimal procurement, even as states like Punjab and Haryana that are not the largest producers witnessing much larger procurement.

The report claims that the Q2 Gross Value Added (GVA) is estimated at 7.1 per cent while the FY22 GDP growth rate could be in the range of 9.3-9.6 per cent.

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