

RETHINK MSPS

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

Planning to buy a mid-range smartphone? Honor 9N is the notched beauty you need

The Reserve Bank of India and bond markets should heave a sigh of relief at the relatively moderate hikes in the minimum support prices (MSP) for rabi crops declared by the NDA government. The MSP for wheat to be planted in the ensuing 2018-19 season has been fixed at Rs 1,840 per quintal, which is only 6.1 per cent more than the Rs 1,735 for last year.

Even for other crops such as mustard, chana, masur and barley, the raise is from 2.1 to 5.3 per cent. The 20.6 per cent higher MSP for safflower has no material consequence, as this oilseed is grown in just about 1.5 lakh hectares (compared to 300-310, 90-100 and 60-70 lakh hectares for wheat, chana and mustard, respectively) and hardly procured by government agencies. The restraint shown in the latest MSP increases — for the kharif season, these amounted to 12.9 per cent in paddy and 19.3-52.5 per cent in maize, moong, cotton, bajra, jowar, nigerseed and ragi — is significant, as it comes ahead of the upcoming assembly elections in Madhya Pradesh and Rajasthan, and before the national one scheduled in April-May.

The Modi government had earlier erred by accepting the M S Swaminathan commission's recommendation of fixing MSPs at 1.5 times the estimated production cost of crops. By binding itself to a cost-plus pricing formula and guaranteeing a minimum 50 per cent return to farmers, the government would have had to grant unsustainably high MSPs out of line with market prices. That possibility was even greater when diesel, electricity, fertiliser and pesticide costs for farmers have gone up by 25 per cent or more in the last one year.

This is clearly not reflected in the Commission for Agricultural Costs & Prices' estimates, which show a mere 6 per cent annual production cost escalation for wheat and at 1.8-7.2 per cent in other rabi crops. The seemingly conservative cost increases taken have helped keep the latest MSP hikes within limits, even as the Agriculture Ministry has claimed that they correspond to returns ranging between 50.1 per cent for safflower and 112.5 per cent for wheat.

The test of MSPs, however, lies not in announcement, but implementation. That is already being seen in the current kharif marketing season, where arrivals in mandis have barely begun and most crops, barring cotton, are already selling way below the MSPs announced in July. The sheer lack of credibility in both fixation methodology and effective enforcement makes it worthwhile to rethink the utility of MSPs. Farmer interest is better served by removing all restrictions on marketing, storage and movement (including export) of produce, along with making fixed per-acre payments irrespective of the crop that is grown.

END

Downloaded from crackIAS.com

© **Zuccess App** by crackIAS.com