

Opinion

Why demand for guaranteed MSP is justified

Anuj Sharma | Updated on January 21, 2021

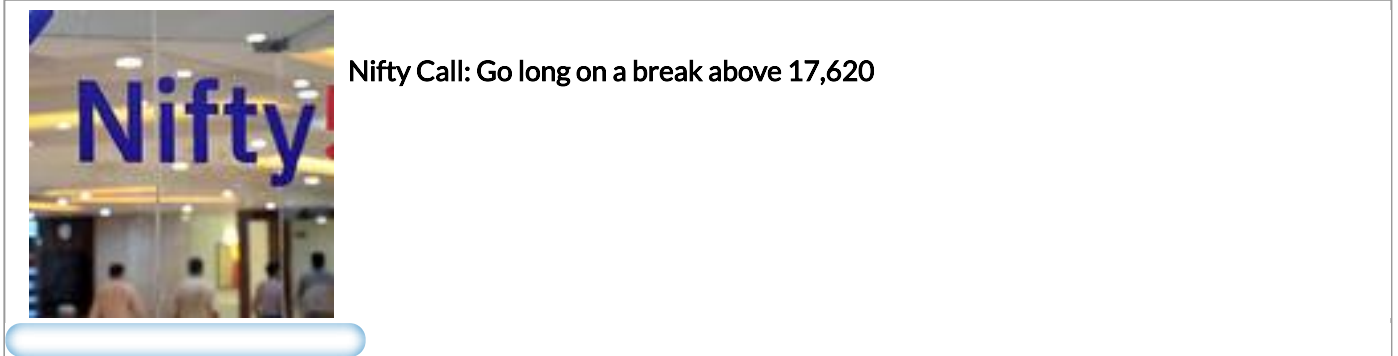


Without such an assured income, small farmers cannot meet livelihood needs. Also, farmers are supported the world over

The Supreme Court's staying of the farm laws' implementation and constituting a four-member expert panel to facilitate a solution –with the farmers, however, not agreeing to it – has clearly proved that government has mishandled the issue.

The farmers, braving the winter, have now been protesting for more than a month and a half. It is important to realise why they are demanding a complete roll back of the new farm reform laws and guarantee of Minimum Support Price (MSP). They are seeking certainty of income to support their livelihood.

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Assured income through guaranteed MSP is of grave importance to farmers, especially ones with small and marginal holdings. According to the NABARD All-India Rural Financial Survey in 2016-17, the average monthly income of agricultural households in India is ₹8,931, which is clearly not enough to sustain livelihoods.

The situation is more grim for small and marginal farmers as they usually get 650-700 kg of rice per hectare (after milling 1,000 kg of paddy, which is the average yield), which is barely enough to meet their annual household requirements. To meet the requirement of groceries and other essentials, these farmers sell their produce at MSP. Farmers are also net buyers of food and often depend on the Public Distribution System (PDS) for purchases.

During the harvest season, the prices of farm produce fall substantially and farmers are unable to recover the cost of production. In the absence of guarantee of the price, in an open market, farmers will not be able to recover even the cost of production.

This is true as in different states like Bihar, where there is no safety net, and farmers are able to sell their produce only at 25-30 percent less than the MSP.

Similarly, in Uttar Pradesh and Madhya Pradesh, where farmers grow pulses, are forced to sell at price much below the MSP as government's procurement in these States is substantially low.

As is practised by several countries, like the US and China, it is important that India also increase its safety net for farmers.

The US, in order to ensure that small farmers are not wiped out, comes up with a farm Bill every five years. In the Farm Bill introduced in 2018, to enhance the farm income, the US made provisions of \$867 billion for next ten years. Similarly, China provided a subsidy of \$212 billion in 2016, one of the highest in the world. China has been supporting its farmers by purchasing at above market prices and market price support programmes.

This has resulted in increase of incomes of farmers for several crops including rice and wheat.

In India, the agriculture sector is in dire need of reforms but it should not leave small and marginal farmers at the mercy of markets.

These farmers should be given the right to sell the foodgrains as well as other agricultural crops at least at MSP to government or any other private player.

Amend Contract Farming Law

The contract farming Bill too has raised the hackles of the farmers. It is unreasonable to expect small and marginal farmers to have the expertise to enter into contracts with big corporates.

Under contract farming small farmers also face delay in payments, undue rejections and besides poor enforcement of contract farming regulation by the State governments. Under contract farming, farmers also fear losing control over agricultural practices, choice of seeds, pesticides, fertiliser etc.

Therefore, contract farming laws should be drafted in such a way that it protects the rights of farmers by providing market and price stability, resulting in assured income for farmers. There should be an institutional set-up by the government which ensures that these small and marginal farmers do not get exploited by the big corporate houses.

Improving productivity

In medium to long term, concerted efforts are required to improve the productivity of agricultural produce in India which is lower than Brazil, China and the US. The government should also ensure that benefits of higher productivity is passed on to farmers

as well, by the producers of agri-products. It should also support the small farmers when farm prices fall, the way the US government is doing through the Agricultural Risk Campaign (ARC) and Price Loss Coverage (PLC) programmes of farm bill of 2018.

With improved agricultural know how and government's support, farmers can also start producing lentils and fruits such as apples and oranges which are currently imported in large quantities.

The government must also improve storage facilities so that procured foodgrains are not destroyed and cost of storage is reduced. Lower prices, as a result of increased productivity and low storage cost, would improve competitiveness of Indian farm produce and agri-products in the international markets.

The series of talks currently underway between the government and farmers have failed to resolve the deadlock. Only time will tell that, with the formation of expert panel by the Supreme Court, whether government will be able build trust among farmers and gets the issue resolved amicably.

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