



## MSP Raised for Rabi Crops

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### Why in News

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Recently, the **Cabinet Committee on Economic Affairs** has marginally increased the **Minimum Support Price (MSP)** of six **rabi crops** for 2021-22.

**Rabi crops** are agricultural crops that are **sown in winter** and **harvested in the spring** in India. Eg. wheat, barley, mustard etc.

### Key Points

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- MSP rates were hiked for **wheat, barley, gram, masoor dal (lentil), safflower, and rapeseed and mustard**.
- However, the MSP has seen a **lower hike** compared to 2020-21. The wheat MSP has seen an increase of just 2.6% — the lowest increase in 11 years.
- The increase in MSP is in line with the principle of fixing the MSPs at a level of at least 1.5 times of the **All-India weighted average Cost of Production** as announced in Union Budget 2018-19.
- The increase in MSP comes in the midst of a vehement protest by farmers, who fear that **new agricultural marketing reforms** will result in the **phasing out of MSP** and **public procurement**.

## MSP for rabi crops for 2021–22 marketing year

Crop	Price per quintal (₹)	change* in %
Wheat	1,975	2.60
Barley	1,600	4.91
Gram	5,100	4.61
Lentil (masur)	5,100	6.25
Rapeseed & mustard	4,650	5.08
Safflower	5,327	2.14

Note: \*Compared to 2020–21 price; 2021–22 crop marketing year starts from April 2021

Source: Ministry of Agriculture

## Issues with New Agricultural Reform

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- The farmers are protesting against the **three Bills** which includes:
  - **Farmers' Produce Trade and Commerce (Promotion and Facilitation) Bill, 2020.**
  - **Farmers (Empowerment and Protection) Agreement of Price Assurance and Farm Services Bill, 2020.**
  - **Essential Commodities (Amendment) Bill, 2020.**
- In short, the **Bills aim to do away with government interference in agricultural trade** by creating **trading areas free of middlemen and government taxes outside** the structure of **Agricultural Produce Market Committees** (APMCs).

They also aim to **remove restrictions on private stock holding** of agricultural produce.
- This according to farmers will give **preference for corporate interests at the cost of farmers' interests** and a **lack of regulation in these non-APMC mandis** are cause for concern for farmers.

In the new system, companies will benefit as **trading rates will not be under pressure of government procurement** and they will be able to **force farmers to reduce their rates.**
- The absence of any regulation in non-APMC mandis is being **seen as a precursor to the withdrawal of the guarantee of MSP-based procurement.**

- These fears gain strength with the **experience of States such as Bihar** which abolished APMCs in 2006. After the abolition of mandis, farmers in Bihar on average received lower prices compared to the MSP for most crops.
  - The **government procurement also reduced significantly** compared to other states.
- Government is relying on the market to realise better prices. However, recent data suggest **limitations of market intervention** in raising farm gate prices.
  - For most crops where MSP-led procurement is non-existent, the decline has been sharper. Even cash crops such as cotton have seen a collapse in prices in the absence of government intervention.
  - With rising input costs, farmers do not see the market providing them remunerative prices.
- The **farmers also raise concern about the intent of the government** to leave the price discovery mechanism on the market.
  - It has time and again made ad hoc interventions, such as raising import duties on masur and a ban on onion exports.

## Minimum Support Price

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- The MSP is the **rate at which the government buys** grains from farmers.
- Reason behind the idea of MSP is **to counter price volatility of agricultural commodities** due to the factors like variation in their supply, lack of market integration and information asymmetry.
- **Fixation of MSP:** The MSP is fixed for 23 crops based on the recommendations of the **Commission for Agricultural Costs and Prices (CACP), Ministry of Agriculture.**
- **Factors** taken into consideration for fixing MSP include:
  - Cost of cultivation,
  - Demand and supply,
  - Price trends in the market, both domestic and international,
  - Inter-crop price parity,
  - Terms of trade between agriculture and non-agriculture,
  - A minimum of 50% as the margin over cost of production, and
  - Likely implications of MSP (inflation) on consumers of that product.
- The CACP also makes visits to states for **on-the-spot assessment** of the various constraints that farmers face in marketing their produce, or even raising the productivity levels of their crops.
- Based on all these inputs, the CACP then finalizes its recommendations/reports, which are then submitted to the government.
- The government, in turn, circulates the CACP reports to state governments and concerned Central Ministries for their comments.

- After receiving the feed-back from them, the **CCEA** of the Union government takes a **final decision** on the level of MSPs and other recommendations made by the CACP.
- **Procurement:** The **Food Corporation of India** (FCI), the nodal central agency of the Government of India, along with other **State Agencies** undertakes procurement of crops.
- **MSP Calculation:** This MSP is usually estimated based on three types of calculation methods.
  - **A2:** Under this, MSP is set 50% higher than the amount farmers spend on farming including spending on seeds, fertilisers, pesticides, and labour.
  - **A2+FL:** It includes A2 plus an assigned value of unpaid family labour.
  - **C2:** Under C2, the estimated land rent and the cost of interest on the money taken for farming are added on top of A2+FL.
- The Central government had set up the **National Commission on Farmers** (NCF) in 2004 to address the issues of farmers in India including that of calculation of MSP.

### **National Commission on Farmers: Swaminathan Committee**

- It was constituted in 2004 by the Union government **with MS Swaminathan as its chairman.**
- The main **aim of the committee** was to **come up with a sustainable farming system, make farm commodities cost-competitive and more profitable.**
- The commission, in 2006, recommended that MSPs must be at least 50% more than the cost of production and **recommended the C2 method for MSP calculation.**
- However, the **government calculates** its MSP based on the **A2+FL method.**

### **Commission for Agricultural Costs and Prices**

- The CACP is anb of the **Ministry of Agriculture and Farmers Welfare**, formed in 1965. It is a **statutory body.**
- Currently, the Commission comprises a **Chairman, Member Secretary, one Member (Official) and two Members (Non-Official).**
  - The non-official members are representatives of the farming community and usually have an active association with the farming community.
- It is mandated to recommend **Minimum Support Prices (MSPs)** to incentivize the cultivators to adopt modern technology, and raise productivity and overall grain production.
- CACP submits separate reports recommending prices for **Kharif and Rabi seasons.**

**Source: IE**