



Direct Payment of Minimum Support Price

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Why in News

After the recent orders from the **Food Corporation of India (FCI)**, the farm unions warned that the Centre's insistence on **direct payment of Minimum Support Price (MSP)** could derail the **crop procurement process**.

Key Points

- **Orders from FCI:**
 - **Direct Payment of Minimum Support Price (MSP):**
 - The Centre wants to **make direct online MSP payment to farmers' bank accounts**, to remove middlemen from the process.

MSP is the price that government agencies pay whenever they procure the particular crop.
 - Currently, **arhtiyas (commission agents)** get the payments in their accounts, which they in turn pay to farmers through cheques.
 - The **Centre has to pay 2.5% commission to arhtiyas** who facilitate procurement of the crop from farmers to government agencies and take commission for that from the government.
 - **Jamabandhi System:**
 - FCI order stipulates that tenant farmers and sharecroppers must produce a jamabandhi.
 - Jamabandhi is a **legal agreement** proving that they have the right to till leased land, in order to get paid for procured crops.
 - The FCI's also proposed to **tighten quality requirements for wheat and paddy procurement**.

- **Significance:**
 - **Transparency and Accountability:** The FCI has insisted that direct payment to farmers' bank accounts, bypassing the powerful arhatiyas or commission agents, will lead to greater **transparency and accountability**.
 - **Non-Discriminatory in Nature:** There is no selection bias in choosing the beneficiaries based on attributes like caste and land size.
- **Challenges to the FCI Order:**
 - Since arhatiyas play a key role in the Punjab and Haryana farm ecosystem by providing farm loans, the move has been **opposed by a large section of farmers, as well as the Punjab government**.
 - According to farm unions, implementing direct payment in haste can lead to many complex problems that will exclude so many farmers from getting their price of the crop.
 - Thousands of sharecroppers do not have Jamabandhi or legal agreements and will be hit hard.
 - The FCI's proposals to **tighten quality requirements for wheat and paddy procurement** are also being opposed.
 - At a broader level, farmers connected their issues with the FCI with their existing demands to repeal the **farm laws** and enact a legal guarantee for procurement of all crops and minimum support prices.

Food Corporation of India

- FCI is a **statutory body** set up in 1965 by the **Food Corporations Act 1964** under **Department of Food & Public Distribution, Ministry of Consumer Affairs, Food and Public Distribution**.
- It was established against the backdrop of a major shortage of grains, especially wheat.

Simultaneously, the **Commission for Agricultural Costs and Prices (CACP)** was created in 1965 to **recommend remunerative prices (MSP) to farmers**.
CACP is an attached office of the **Ministry of Agriculture and Farmers Welfare**.
- It has primary duty to undertake purchase, store, move/transport, distribute and sell food grains and other foodstuffs.
- **Objectives of FCI:**
 - To provide **remunerative prices** to farmers.
 - Ensuring **food security** of the nation by maintaining satisfactory levels of **operational buffer stocks** of food grains.
 - Distribution of food grains throughout the country for the **Public Distribution System**.
 - Effective **Price Support Operations** for safeguarding the interest of farmers.

Source: TH