



Mains Practice Question

Q. The Minimum Support Price (MSP) scheme protects farmers from the price fluctuations and market imperfections. In the light of the given statement, critically analyse the efficacy of the MSP. (250 words)

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Approach

- Introduce by defining Minimum Support price (MSP).
- Discuss the advantages of MSP scheme.
- Analyse the constraints or issues with the MSP system.
- Conclude with a way forward.

Introduction

- The minimum support price (MSP) is an agricultural product price set by the Government to purchase directly from the farmer.
- 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.

Body

Advantages of MSP

- **Food security:** It ensures adequate food grain production in the country and hence, maintaining the food security.
- **Price fluctuations:** It protects the farmers from any sharp fluctuations in price. MSP is announced before the sowing season so that the farmers can make an informed decision.
- **Increase in farmer's income:** MSP increases the farmers' income and when they have more disposable income in hand, they can invest in new technology.
 - It also helps in achieving the Government's goal of doubling farmers income by the year 2022.
- **Surety for farmers:** The policy of Minimum Support Price acts as a surety for farmers that their produce will get a fair amount and hence encourages them.

Constraints in MSP

In the process of selling at the MSP, the farmers faced various constraints which need to be done away with for smooth functioning of the system and to protect the interest of the farmers.

- **Stagnant rates of MSP:** The Minimum Support Price, though announced every year, does not increase in proportion to the increase in cost of production.
- **Lack of awareness:** A lot of illiterate farmers who do not have adequate knowledge about the Minimum Support Price end up being exploited by middlemen.
- **Unequal access:** Not all farmers have equal access to the benefits given by the government through MSP. Several regions in the country do not have effective implementation of the scheme.

- **Killing of competition:** Government interference in the market is seen as killing of the competition which disturbs the working of open markets.
- **Issues in WTO:** The Minimum Support Price scheme by Indian government has been criticised by various countries at the WTO on the grounds of being highly trade-distorting by its method of calculation.
- **Rising government expenses:** MSP has raised the maintenance cost of procuring food grains by the government. Rising transportation and storage costs of the FCI are other contributing factors in this increase. This rising cost affects the investment in the other sectors like agri-infrastructure.

Way forward: In order to improve the MSP procurement system and make it more effective, the following recommendations are offered:

- First and foremost the awareness among the farmers needs to be increased and the information disseminated at the lowest level so that the knowledge would increase the bargaining power of the farmers.
- The basic source of livelihood for the farmers is farming and the delay in payment has a negative effect. The delay in payment needs to be corrected and immediate payment should be ensured. For sustainability of farming prompt payment at remunerative rates should be made.
- It has been found that MSP rates are announced after the sowing season begins or at the time when the farmers have already initiated the necessary preparation for sowing a particular crop. Rather, as intended by the policy makers, MSP should be announced well in advance of the sowing season so as to enable the farmers to plan their cropping.
- The farmers should receive their MSP rate in case on the spot the same day, so that they will be encouraged to improve their production and create more marketable surplus.

Conclusion

- The Minimum Support Price is an important policy of the Government to determine the floor price of major agricultural produce every year for protecting the farmers from fluctuating market conditions.
- Hence, the policy of Minimum Support Price should continue as it insulates the farmers from unfavorable market conditions by assuring them a minimum return for their produce.