

NEXT IAS

**DAILY EDITORIAL
ANALYSIS**

TOPIC

**Legalising the Minimum
Support Price (MSP)**

www.nextias.com

LEGALISING THE MINIMUM SUPPORT PRICE (MSP)

Context

- Recently, the groups of farmers asked for a legal guarantee for purchasing crops at Minimum Support Price (MSP).

Minimum Support Price (MSP)

- It is a form of market intervention by the Central Government to insure agricultural producers against any sharp fall in farm prices.
- It protects the producer- farmers against distress sale during bumper production years.

Current Status of MSP:

- The Union Government sets a MSP for **23 crops** before the sowing period every year, based on a formula of one-and-a-half times production costs.
 - ♦ It is implemented **mostly for rice and wheat** mainly because India has vast storage facilities for these grains and uses the produce for its public distribution system (PDS).
- It takes into account both paid-out costs such as seeds, fertilisers, pesticides, fuel, irrigation, hired workers and leased-in land, as well as the imputed value of unpaid family labour.
 - ♦ However, there is **currently no statutory backing** for these prices, nor any law mandating their enforcement. A farmer cannot demand MSP as a matter of right.

Crops Covered under MSP

- **Kharif Crops (total 14)** like paddy, jowar, bajra, maize, ragi, tur/arhar, moong, urad, groundnut, soyabean, sunflower, sesamum, niger seed, cotton;
- **Rabi Crops (total 06)** like wheat, barley, gram, masur/lentil, rapeseed and mustard, and safflower; and
- **Commercial Crops (total 02)** like jute and copra.
 - ♦ MSP for Toria and de-husked coconut is also fixed on the basis of MSPs of rapeseed & mustard and copra respectively.

Demand for Legal Guarantee:

- Farmers have been demanding a legal guarantee for MSP by arguing that without such a price, farmers will become bankrupt and leave farming, which will have serious consequences for our food security, adversely affecting consumers.
- The demand for a legal guarantee for MSP has two parts:
 1. MSP should be based on the comprehensive cost of production (C₂), as determined by the **Commission for Agricultural Costs and Prices (CACP)**, plus 50%, as recommended by the **Swaminathan Commission**.
 2. The 23 crops for which MSP is announced should be legally purchased at or above the MSP price by anyone who **'willingly enters'** the market.

Arguments Favouring Legalising MSP

- **Agricultural Crisis:** The agricultural sector has been squeezed in many ways over the past 30 years, and there is a need for a legal guarantee for MSP to address this crisis.
- **Nutrition Security:** As India shifts from food security to nutrition security, a legal guarantee for MSP for 23 crops could be a way to achieve this.
- **Price Stabilisation:** The government is not expected to buy all the 23 crops. But if at least 5-10% of the produce is purchased, it would be a marginal intervention and stabilise the prices.

- **Support to Farmers:** The government's price policy is to ensure remunerative prices to farmers by offering to procure their produce at MSP.

Arguments Against Legalising MSP

- **Implementation Challenges:** While the Centre has fixed MSP for 23 farm commodities, it is implemented mostly for rice and wheat mainly because India has vast storage facilities for these grains.
- **Limited Reach:** According to the **Shanta Kumar Committee's 2015 report**, only 6% of the farm households sell wheat and rice to the government at MSP rates.
- **Need for Policy Review:** There is a need for a detailed, thorough review of agricultural trade policies and production and also what will happen to agriculture in the next 20-25 years.

Government's Stand

- The Union government has repeatedly asserted that a legal guarantee for MSP will not be possible by arguing that MSP is a minimum price that the farmer must get to remain in business.
 - ◆ However, it has not taken any concrete steps towards providing a legal guarantee for MSP.

Agriculture and Constitution of India

- Agriculture is primarily mentioned in the State List and the Concurrent List of Schedule VII of the Constitution of India.

State List (List II):

- **Entry 14:** Agriculture, including agricultural education and research, protection against pests, and prevention of plant diseases.
- **Entry 28:** Markets and Fairs.
- **Entry 30:** Money-lending and money-lenders; relief of agricultural indebtedness.
- **Entry 45:** Land revenue, including the assessment and collection of revenue, the maintenance of land records, survey for revenue purposes, and records of rights, and alienation of revenues.
- **Entry 64:** Offences against laws with respect to any of the matters in this List.

Concurrent List (List III):

- **Entry 33:** It covers foodstuffs, including edible oilseeds and oils; cattle fodder, including oilcakes and other concentrates; raw cotton, and cottonseed; and raw jute.

Conclusion

- The debate around the legality of MSP in India is complex and multifaceted. It involves considerations of **economic policy, agricultural sustainability, and social justice**.
- While the demand for a legal guarantee for MSP is strong among farmers, the government and policy makers need to consider the broader implications of such a move.

Daily Mains Practice Question

[Q] Do you think legalising the Minimum Support Price (MSP) in India would be beneficial for the farmers and the agricultural sector as a whole? Give your arguments.