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FARMERS' DEMAND FOR A LEGAL GUARANTEE FOR MSP IS THE BARE MINIMUM

Minimum Support Price (MSP)

The **Minimum Support Price (MSP)** was introduced in 1965 as a market intervention mechanism to protect farmers from significant price declines and ensure food security. This initiative led to the establishment of the Agricultural Prices Commission (APC), which was later renamed the Commission for Agricultural Costs and Prices (CACP). MSP serves as a benchmark price for various crops and provides farmers with a safety net against market volatility. However, its implementation over the years has revealed several challenges and areas for improvement.

The Growing Demand for a Legally Binding MSP

The demand for a legally guaranteed MSP has intensified in recent years, reflecting growing dissatisfaction among farmers.

- **Symbolic Movements:** Farmer leader Jagjit Singh Dallewal's indefinite fast and the unprecedented recommendation by the Parliamentary Standing Committee on Agriculture have brought this issue to the forefront.
- **Mobilization Efforts:** Organizations like the **Samyukt Kisan Morcha** are actively rallying for comprehensive policy changes to make MSP a legal entitlement.
- **Political Stalemate:** Despite the increasing pressure, the Union government has been reluctant to engage in meaningful dialogue, reflecting a significant policy and political deadlock.

Ground Reality of MSP Implementation

Although MSP is announced annually for 23 crops, its benefits are not uniformly accessible to farmers:

- **Inadequate Coverage:** Many farmers receive prices far below the official MSP. For instance, in December 2024, farmers in Rajasthan, Maharashtra, and Madhya Pradesh reported significant losses on crops like moong, jowar, maize, and soybeans.
- **Volatile Markets:** The lack of mechanisms to enforce MSP leaves farmers vulnerable to unpredictable market fluctuations, undermining its intended benefits.



Logic and Feasibility of a Legally Binding MSP

Critics argue that a legally binding MSP is fiscally and operationally infeasible. However, the demand does not imply universal procurement or blanket penalties but aims to ensure that farmers receive fair remuneration for their produce:

- **Focused Principle:** The proposal seeks to provide farmers with a remunerative price irrespective of the buyer, ensuring their economic stability.
- **Practical Measures:** It includes mechanisms like expanded procurement, market interventions, and assured deficit payments to achieve this goal.

Mechanisms to Operationalize a Legally Binding MSP

A legally binding MSP can be implemented through a combination of targeted interventions:

1. Expanded Procurement:

- Increasing procurement of underrepresented crops like pulses, millets, and oilseeds.
- Addressing regional and crop-specific imbalances.

2. Smart Market Interventions:

- Setting floor prices in **APMC auctions** to stabilize market rates.
- Conducting limited government purchases during price drops.
- Improving warehousing infrastructure to reduce wastage.
- Strengthening **Farmer Producer Organizations (FPOs)** to empower farmers and enhance bargaining power.

3. Deficit Payments:

- Direct government compensation to farmers for the gap between market prices and MSP ensures a legal right to fair remuneration when market interventions fall short.

Financial Viability of a Legally Guaranteed MSP

Concerns about the fiscal burden of a legally binding MSP often exaggerate its cost:

- **Cost Analysis:** Ensuring MSP for the top 15 crops would cost approximately Rs. 26,469 crore annually (at current MSP) or Rs. 2,00,710 crore (at Swaminathan MSP).
- **Budgetary Perspective:** These amounts represent only 0.5% to 4.2% of the Union Budget or up to 0.6% of GDP.



- **Broader Economic Impact:** Increased rural purchasing power and economic growth resulting from fair farmer remuneration could offset the expenditure.

Concerns Related to MSP in India

Despite its noble intentions, the MSP system faces several challenges that limit its effectiveness:

1. Limited Coverage:

- Only about **6% of farmers** benefit from MSP, primarily those in regions with strong procurement infrastructure like Punjab and Haryana.
- Farmers in other states often remain excluded.

2. Skewed Crop Focus:

- MSP primarily benefits rice and wheat, discouraging crop diversification.
- This over-reliance leads to the overproduction of staple crops, neglecting other important commodities.

3. Overburdening Procurement System:

- Large-scale procurement of rice and wheat strains the resources of the **Food Corporation of India (FCI)**.
- Storage challenges and wastage are common due to inadequate infrastructure.

4. Environmental Impact:

- Water-intensive crops like rice, supported by MSP, contribute to groundwater depletion, particularly in states like Punjab.

5. Dependence on Middlemen:

Farmers often rely on middlemen to access procurement agencies, which can lead to exploitation and lower prices.

Conclusion: A Matter of Political Will

A legally binding MSP is a logical and achievable reform that addresses farmers' economic distress and rural inequities.

- **Manageable Costs:** The fiscal burden is within reasonable limits and offers substantial economic benefits.
- **Overcoming Challenges:** The implementation requires political commitment, transparent rules, and robust enforcement mechanisms.



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- **Supporting Farmers:** Prioritizing farmer welfare is crucial for sustaining India's agricultural sector and ensuring equitable rural development.

With mounting farmer protests and evidence of its feasibility, a legally guaranteed MSP is an idea whose time has come.

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