

Centre announces new price support scheme for farmers

Success of PM-AASHA scheme will be crucial for BJP ahead of assembly polls this year

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The performance of PM-AASHA will be critical in a year when several agriculturally important states will go to polls. Photo: Ramesh Pathania/Mint

New Delhi: The government launched the Pradhan Mantri Annadata Aay Sanrakshan Abhiyan (PM-AASHA) on Wednesday to ensure that poor farmers growing pulses and oilseeds benefit from higher minimum support prices (MSPs) announced by the government.

The new scheme will be a mix of sub-schemes, which will involve direct procurement from farmers (price support scheme or PSS), paying them for losses incurred when wholesale market prices are lower than announced MSPs (price deficiency payment scheme or PDPS), and procurement by private traders at MSP as a pilot.

The performance of PM-AASHA will be critical as agriculturally important states such as Madhya Pradesh, Rajasthan and Chhattisgarh, which grow pulses and oilseeds, will go to polls this year. Wholesale prices of these crops fell sharply over the past two years, driven by higher production, forcing farmers to sell at a loss.

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The centre has made a provision of ₹16,550 crore as a bank guarantee for central agencies to directly procure from farmers under PSS, while budgetary allocation for PM-AASHA has been raised to ₹15,053 crore, according to a government statement on cabinet decisions.

“It is a welcome move that the government is backing up its MSP announcement with concrete steps, but it should make price support conditional on states liberalizing their agriculture markets,” said Pravesh Sharma, the former head of Small Farmers Agribusiness Consortium, a specialised agency of the agriculture ministry.

“Ultimately India has to move towards price deficiency scheme as the government cannot disrupt the market by mopping up crop supplies. However, such a scheme cannot function well if agricultural markets are not transparent and trader collusions determine wholesale prices,” Sharma said.

Direct procurement or PSS scheme will kick in when prices of pulses, oilseeds and copra fall below MSP, with the centre bearing procurement expenditure and losses up to 25% of the production.

The PDPS scheme will be available only for oilseeds with registered farmers directly receiving payments in their bank accounts when they sell at prices lower than MSP. The government will not undertake physical procurement of crops under this scheme.

The decision to launch a new mechanism for ensuring that farmers benefit from MSPs comes against the backdrop of a promise made in the budget this year and the government fixing higher MSPs for rain-fed kharif crops in July to ensure that the farmers receive 50% returns over their costs of production.

The cabinet also raised the procurement price of ethanol produced from ₹47.13 per litre to ₹52.43 per litre, by diverting B-heavy molasses, and ethanol derived from 100% sugarcane juice to ₹59.13 per litre from the existing rate of ₹47.13 per litre.

The move will help reduce excess sugar production, increase liquidity of sugar mills for settling dues to cane farmers, and make available a greater quantity of ethanol for blending with petrol, according to an official statement by the ministry.

Source: <https://www.livemint.com/Politics/ft1BmlEsslocy5rrWubawN/Cabinet-approves-new-procurement-policy-to-ensure-MSP-to-far.html>