

Govt should consider alternatives to demand for legal MSP, say experts

ENSURING NO LOSS. It could fix minimum auction rate at APMC mandis to cover production costs

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The minimum support price (MSP) cannot be made legally binding and, as an alternative, the government can consider fixing a minimum auction rate at agricultural market yards (mandis) to cover the cost of production, experts have said. This will ensure there is no loss to farmers and profit is determined by demand and supply.

The suggestions come amid an indefinite fast undertaken by farmer leader Jagjit Singh Dallewal entering the 43rd day on Tuesday. Dallewal is leading a protest march to Delhi demanding to make the minimum support price (MSP) legal.

RESERVE PRICE

The Doubling Farmers' Income (DFI) committee, in its report, has suggested that the price quotes by those participating in the auction of an agricultural produce lot



PROTECTING PROFITS. Experts recommend a minimum reserve price (MRP) system to ensure farmers' costs are covered while addressing market demand PTI

at the APMC (agricultural produce marketing committee) yards should not be below the cost of production. This should be treated as the minimum reserve price (MRP). Such a provision needs to be introduced into the State APMC Acts by an amendment, it said.

Concurring with the recommendation, Ashok K Dalwai, the former Chairman of the DFI Committee, said this is necessary because one sees a tendency on the part of the commission

agents citing a low price as reserve price on behalf of the farmers, even without their consent. "This should not, however, take away the rights of the farmers to quote any price that they expect on their lots, subject to the expected price being at the minimum equal to or higher than the MRP."

On the other hand, PK Joshi, Vice-President of the National Academy of Agricultural Sciences (NAAS), said legal MSP is not feasible in an open market economy

as it primarily means the entire agriculture is controlled by the government.

"It is not possible for the government to procure the entire produce, stock it and sell those under the purview of MSP. Such a market mechanism will have a high economic cost. Rice and wheat are examples where FCI has been procuring, stocking and selling these two commodities. The economic cost of procuring, stocking and selling by FCI is much higher than what is done by the private trade," said Joshi, who was one of the members of the Supreme Court-appointed expert panel on three controversial farm laws (since repealed) in 2020.

He said legalising the MSP means the complete disappearance of the private trader and it will require the government to create infrastructure for the procurement, stocking and selling of those commodities. As it also requires creating new

institutions, such investments have high opportunity costs, which otherwise can be allocated for agricultural development, Joshi said.

He said to ensure remunerative prices, the government should implement alternatives like price deficiency mechanisms, price insurance, warehouse receipt system, agriculture commodity derivatives, and effective trade policy for surplus commodities.

HARDSHIP FACTOR

The DFI committee recommended that this reserve price be accordingly differentiated by a hardship factor (H) so that it would be regionally differentiated on the basis of the average yield per hectare of a crop in a district, the status of irrigation (rainfed or irrigated) of the area and the farm-gate price of inputs. "In effect, the reserve price would be similar to $A2 + FL$, plus H (regionally differentiated hardship factor)," it said.