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ISSUES MSP, PRIVATIZATION POLICY & AGRICULTURE

Alka W. Patil
Assistant Professor,
S.S. Girls' College, Gondia.
Email: alkapatil3106@gmail.com Mob: 97667 25595

Abstract:
The historical importance of the MSP (minimum support price) as a mechanism to solve the agrarian crisis and address farmer distress has been contextualised. For national food security, public distribution, farmer livelihood and welfare, and agricultural growth, the minimum support price and public procurement system are essential. Alternative methodologies to calculate MSP have been discussed with an emphasis on enhancing the economic lives of the farmers in a sector with increasing participation from global industrial behemoths. The three neoliberal farm bills adopted by the Indian government amid the escalating agricultural catastrophe, cumulative farmer agony and degrading environmental health across the globe have been critiqued with an analysis of its ramifications on the incomes of Indian farmers, weakening of the mandi system and their disproportionate impact on farmers with small landholdings. The respective research paper focuses on the lack of diversity in the crops procured through the PDS (public distribution system) and it also has suggestive approaches towards making MSP a legal right.

Keywords :
Minimum Support Price (MSP), Farm Bills 2020, APMC, Commission for Agriculture Costs and Prices(CACP), Agrifarm privatisation, Food security.

Introduction :

While agriculture's part of India's GDP has gradually dropped to less than 15% due to the strong growth rates of the industrial and service sectors, the sector's importance in the country's economic and social fabric goes much beyond this metric. To begin with, roughly three-quarters of Indian families rely on income from the countryside. The vast bulk of India's impoverished (about 70% of the population) live in rural areas. To fulfil the demands of a growing population with rising incomes, India's food security depends on producing cereal crops as well as boosting production of fruits, vegetables, and milk. The MSP system has been plagued by flaws over the years. Agricultural reforms are therefore required to address these issues, especially by strengthening the government's participation in agricultural marketing in order to assure farmer welfare. The new agricultural laws, on the other hand, promote a laissez-faire policy environment that is detrimental to farmers' interests.

MSP & OBSERVATIONS BY COMMISSION ON AGRICULTURE COSTS AND PRICES

MSP is one of the forms of intervention followed by the government to regulate the prices in the market, thereby fixing a floor price below which a consumer cannot buy the produce. It is set by the government before every sowing season, on the advice of the Commission for Agricultural Costs and Prices (CACP). CACP reaches a particular price after consulting all stakeholders like all states, farmers' organizations, and the major regulatory bodies of the crops. This price's main objective of MSP is to protect the farmers from distress sales during a bumper crop and to provide people with food at a reasonable price.

The said price had to achieve certain objectives

1) Providing food grains for the Public Distribution System.
2) Ensuring reasonable (affordable to consumers) prices for food grains.
3) Inducing adoption of new technology.

Keeping all these in mind and with other references like cost of living and other factors, the agricultural prices commission was formed in 1965. They followed a method of cost for fixation of minimum support price which was not satisfactory. In order to suggest changes, there was a report published in 1980 by a committee set up under the chairmanship of Dr S R Sen. This committee suggested various changes in methodology in reaching price. It changed the nomenclature of the commission into Commission on Agricultural Costs and Prices (CACP), and it started functioning in 1985. It was set up with complete change of reference and calculating procedure for price (Sudhakar & Wale, 2017).

The CACP's final price includes all paid up costs for the cost of hired human/animal/machine labour, rent paid on land, expense on various inputs including seeds, fertilizers, irrigation, etc. It also includes the imputed value of wages of family labour and depreciation of farm machinery and building. It gives its yearly price policy after consulting all stakeholders. (Kumar, 2018)

CACP considers many factors while setting up of minimum support price, some of them are, the cost of production, changes in input-price, crop price parity, trends in market price, demand and supply, effect on cost of living, international price situation, etc. crops covered MSP: There are 26 crops covered under minimum support price regime, which includes kharif crops, rabi crops, cotton and jute. They are Cereals: paddy, wheat, barley, jowar, bajra, maize, ragi; Pulses: gram, arhar/tur, moong; urad; Lintels; Oilseeds: groundnut, Rapeseed/Mustard, toria, Soyabean, sunflower seed, sesame, sunflower seed and Niger seed. Other crops include Copra, De-husked coconut, Raw cotton, Raw jute, Sugarcane, Virginia flue cured (VFC) tobacco. (Mahalle, Rohilla, Yadav, & Thakur, 2018)

For all the above-mentioned crops there would be a minimum support price set by the government after the cabinet committee on economic affairs accepts on the advice of CACP, which would be announced before sowing season of crops mentioned above. The government, through the Food Corporation of India, has guaranteed and continues to guarantee unlimited procurement of only rice and wheat which are one of the most water consuming crops, at the minimum support price. Which led to the dramatic shift in the cropping patterns of multiple states. Therefore, one way to address the twin problems of unstable farm incomes and water depletion throughout the nation. States set their own minimum support price for crops produced in that state; they generally set it above the MSP of the central government. (Mahalle, Rohilla, Yadav, & Thakur, 2018)

States Legislative Approach

Every state brought necessary legislation to help the farmers with MSP. They all aimed at protecting farmers from distress sale and providing food grain to needy people at an accessible cost. There was state legislation in this respect and they all sought to establish Agriculture Product Marketing Committee (APMC) which is a market where all the farmers sell their products to consumers at MSP. As per 2015-2016 national agriculture census only 6 percent farmers are covered under MSP and 94 percent are not covered or their sales might be taking place outside APMC protection. But MSP in all these transactions sets a benchmark price on which farmers can bargain upon. (Balaji, 2020)

On observing some factual situations, at one situation were Farmers were denied at least Rs 1,881 crore by having to sell their produce below the MSP in October and November, according to The Wire's analysis of data from Agmarknet, the government's price information system, which sources price and quantity arrival data from around 3,000 wholesale mandis across the country.

The selling of maize suffered the most significant losses. Prices were hovering between Rs 1,100 and Rs 1,550 per quintal – much below the MSP of Rs 1,850 – and farmers were denied a staggering Rs 485 crore in October and November 2020. Farmers in the groundnut sector experienced theoretical losses of Rs 333 crore in 2020 due to sales below the MSP. Even for paddy, sales below the MSP resulted in a total loss of Rs 220 crore in various main producing states (excluding Punjab and Haryana). The average price in the other major paddy-producing states such as Chhattisgarh, Uttar Pradesh, and Telangana – was 15% below the MSP.

The information used comes from the Agmarknet system, which supplies prices and quantities for mandis transactions. A large number of transactions take place outside of the mandi, where the farmer receives a low price due to the traders' added transportation costs. (Agarwal & Mishra, 2020)

From this the government expects to maintain families for half of the year where cost of living is rising. Where farmers are protesting for better prices. (Vissa, 2017) From the above instances we can understand how important MSP is to farmers for recovering cost of production and at the same time how insufficient is MSP for farmers as per current times. This stems from the calculating procedure which is followed by CACP in order to ascertain MSP. Which only includes payments of the farmers and fails to include the opportunity cost and amount of family labour. These are some of the drawbacks of MSP. To solve this problem the government should adopt suggestions given by the Swaminathan Committee recommendation of including c2 cost which is 50 percent of a2+fl . (Jawandhiya & Dandekar, 2020)

Privatisation Policy and Agriculture

The government has implemented these bills in the guise of "barrier-free trade for farmers' produce." (Jawandhiya & Dandekar, 2020)

1- The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Bill, 2020,

This bill enables a framework of contract farming for farmers (Vissa, 2017) with the giant agribusiness firms, manufacturers, wholesalers, traders, etc. for a mutually agreed predetermined price. (Jawandhiya & Dandekar, 2020) This bill intends to widen the scope of income of the farmer, however, the only entity which gets rewarded are the big corporate houses. These products will not only be sold in the domestic market but also in the foreign markets. (Editorial, 2020) This bill attracted the problem of not addressing various issues related to contract farming like sharecropping and tenancy issues. It also does not mention about the legalisation of 'Minimum Support Price', instead of which it mentions only a 'remunerative price' to be agreed in a contract between a farmer and an agribusiness firm.MSP as a legal right would imply that farmers would be entitled to a guaranteed remunerative price, with the government obligated to provide it. To make MSP a legal right over 200 farmer organizations came together to form the All India Kisan Sangharsh Coordination Committee, which developed the Farmers' Right to Guaranteed Minimum Support Prices for Agricultural Commodities Bill, which was also introduced in parliament as a Private Members' Bill. (Srivas, 2020)

The "quality and standard" of the product would be specified as per that contract. (Singh, 2020)

2- The Essential Commodities (Amendment) Bill, 2020,

This bill amended the list of essential commodities, taking away cereals, pulses, oilseeds, edible oils, onion, and potatoes. This implies that the restrictions of the Essential Commodities Act were deregulated. It also removed the stock limits and facility of bulk purchase and storage. This amendment only attracts big corporate agribusiness in the agriculture sector, leading to new investment and hoarding large crop quantities and selling it at a higher price after an artificial shortage of goods.

3- Farmers' Produce Trade and Commerce (Promotion and Facilitation) Bill, 2020

This bill allowed the farmers to sell their produce outside the Agricultural Produce Market Committee (APMC)-governed mandiswithout paying taxes. This bill is beneficial for the large-scale farmers who can sell their produce outside the mandis and save their taxes and can store their produce, and have the ability to transport the large amount of produce to the private markets. This bill would eventually lead to the closing of the APMC mandis and diminish the system, which procures the produce on a Minimum Support Price. MSP plays an important role in the price determination of a particular good even if a farmer sells his/her goods outside the APMC mandi. (Agarwal, 2020)

As per the 2011 census, 96 million farmers identified agriculture as their primary occupation, down from 103 million in 2001 and 110 million in 1991. In rural fields, 46 percent of the population already works full-time. According to preliminary estimates of the 10th Agriculture Census 2015-16, the size of operating holdings for small and marginal farmers has decreased from 1.15 hectares in 2010-11 to 1.08 hectares in 2015-16, and small and marginal holdings make up almost 90% of our overall agricultural holdings. (Mahalle, Rohilla, Yadav, & Thakur, 2018) The ongoing pattern of increased numbers of small land holdings in the country is another striking characteristic of India's agriculture. The number was recorded at 71 million in the first agricultural census conducted in the early 1970s. These figures have risen exponentially over the last five decades, from 138 million in 2010-11 to 146 million in 2015-16, according to preliminary figures from the 2015-16 agricultural census. (Jawandhiya & Dandekar, 2020)

The third bill has irked the farmers throughout the country because diminishing the APMC mandi will empower the private agribusiness firm to dictate a price, which tilts the balance of power towards the private firms. It throws the marginal farmers, who eventually form 90% of the nation, on the mercy of the private corporations.

Back in 2018, the government's own Commission for Agricultural Costs and Prices (CACP) had claimed that a major portion of farmers are unable to sell their produce at the MSP and have to settle for prices which are below the MSP. CACP urged the legislation to ensure that farmers should not be forced to sell their produce below the MSP. This shows that the income of the farmers has always been insufficient before the agriculture bills of 2020. (Jawandhiya & Dandekar, 2020)

Earlier the cabinet committee of economic affairs for the year of 2020-21 had declared a rise in the MSP of Rabi crop season. This increase ranged between 2.1% and 6.2%, which implies that there would be no reduction in the procurement of produce by the government. But after these bills are passed, the question which arises is that will this benefit the small and marginal farmers which comprise the majority of the farmers in India because MSP can only be recognised on the produce procured by the government. (Editorial, 2020) However, the government is not the biggest buyer in the agriculture markets of India. In 2018 the FCI's share from the procurement of wheat and paddy was even less than 10%. The entry of private agribusiness firms will even lower the government procurement share, which might lead to insecurity for food availability and social unrest in food-deficit areas. The worst effect of the bill on the farmer's income was the potential of a guaranteed floor price within the existing APMC mandi system that is made completely prohibitive, which significantly affects the marginal and small farmers. (Editorial, 2020) Hence, the private corporations will overwhelm the marginal farmers as there would be no negotiable ground between them and the farmer must agree to the stipulated price because of the monopoly of the private corporations. Therefore, the implementation of agriculture bills of 2020 has not made the situation of the Indian farmers any better economically. These bills only benefited the large-scale farmers and private corporations.

Conclusion

It is clear that the government by introducing these Acts wants to increase the rural income but practically it is working in a negative direction. By not including specifications about MSP in the farm Act showing intention of the government to make MSP redundant, also there is no law or act which binds the government to enforce MSP. Increasing and promoting private investment is a crucial step in growth of rural income, but by not including MSP it will hamper the option of the farmers in case they are not satisfied by the prices of private players.

There is no doubt for theoretical purposes the Farmers Agreement on Price Assurance and Farm Services Act has various provisions where legislative intent is clear-cut in favour of farmers, whereas ambiguities in sections of the passed Act have potential to completely wash out the advantages of it.

Also, by allowing the store of essential commodities some big farmers and private persons are in benefit but small farmers will still be in poor condition, which may even reduce the rural income.
Both mandi and private buying should be based on the principle that a farmer has the right to recover inputs costs plus make some profit. There should be a base price for all agriculture and horticulture crops below which the farm product cannot be sold. Buying at a lower price should invoke penal action against the buyer and commission agent. The government can still have a higher MSP for limited crops they want to procure for food security. The CACP had earlier recommended legislation to iron out a concrete MSP law for farmers, but it was not accepted by the Centre.
According to our examination of comparable legislation in the past, the new farm rules, which aim to double farmers' income in two years by deregulating agricultural markets, may exacerbate inequities in the industry. The regulations may harm small and poor farmers, who account for 80% of the sector and 23% of individuals living below the poverty line, by weakening the government's price guarantee mechanism.
The new legislation has a greater impact on Punjab and Haryana farmers because the Food Corporation of India (FCI), the main government agency, and other state agencies acquire about 65 percent of wheat (2019) from these states at MSP. The new legislation will have the greatest impact on farmers that rely on the APMC-MSP model. For them, removing obstacles removes all safeguards, such as a guaranteed price, dealing with licensed agents, and resolving disputes through the mandi. Mandis also provide valuable services such as storage and soil testing. The existing arrangement benefits these states and their farmers the most.
Farmers and farmers' groups from around India, particularly from Punjab and Haryana, are protesting in Delhi, hoping to persuade the Centre to repeal the legislation. Their main demand is for a statutory minimum support price (MSP), and their main objection is to agricultural sales and marketing outside of APMC mandis (government-approved wholesale markets). They fear that by doing so, the mandis will die and exploitative private players will be able to establish the terms of purchase from farmers.
Hence, after an expansive analysis of the historical importance of the MSP and its issues we can conclude that the new farm bills adopted by the Indian government will have a long-term impact on the agrarian crisis in India. The promotion of classical neoliberal tendencies, whether it be advocating for a bypass of APMC Mandis or an incentivisation of contract farming, keeps the assimilation of large agribusiness corporations as a central medium, for what the government and proponents have justified as a mutual improvement of the consumer and the producer. While the legislative intent remains rooted in capitalist dependency, it becomes imperative to wonder if a slow, eventual abandonment of the MSP will aggravate the agrarian crisis or not.

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