

Political & Economic Notes:

Minimum Support Prices Betrayal of Farmers

The Central Government announced the Minimum Support Price (MSP) for major crops on July 4 and is claiming it to be the 'historical hike' of MSP thus fulfilling its election promises. It also claims that latest rise in MSP will give the farmers a one and half times of the production cost as promised in the election manifesto of BJP.

Now the question is whether the hike in MSP is 'historical'? Whether it will fetch 1.5 times of the production cost of major crops as promised in BJP's Manifesto? Whether farmers will be able to sell their produces at the MSP declared? And finally will all these measures bring respite to the millions of farmers who are in a permanent state of distress, desperation and destitute?

As part of the customary practice, every year before Kharif and Rabi crops MSP for various crops are announced by the Central Govt. as per the advice of Commission for Agriculture Costs and Prices (CACAP). Under severe pressure from farmer organizations and with an eye on the impending general election a comparatively slight hike (not historic) was announced by the Narendra Modi Govt. this year. But the measure-ment on which the hike in MSP pronounced was a complete betrayal of the long standing demand of farmer organizations to implement Swaminathan Commi-ssion recommended formula (C2+50%). When Modi Govt. claims that MSP was raised to the 1.5 times of production cost it refers to A2 + FL (actual cost plus family labour) formula rather than C2(actual cost plus family labour plus rent of the land and interest foregone on investment) formula. There is a big gap between the two. Take the example of paddy. According to the A2 + FL formula the production cost is Rs.1166/- per quintal and according to Swaminathan formula i.e. C2 it is Rs.1560/- per quintal. Therefore MSP according to Swaminathan commission formula is to be Rs.2340 and as per Govt declaration it is Rs.1750/- Thus there is a huge gap of Rs.590/- per quintal of paddy. (see Table:1)

Modi Govt. also claims the hike in MSP is 'historic'. Again it proves to be a false propaganda like many other. In the first 4 years of Modi Govt., the increase in MSP of major crops was very low even less than the increase in consumer price index. Here the table shows the fake claims of the Govt. (see Table:2)

The MSP mechanism is primarily enforced through procurement by the public agencies like FCI for wheat and paddy only. This procurement is also limited to certain states only and is completely absent in UP, Bihar, Assam and other North Eastern states. Moreover, the government decided long back to limit the procurement of paddy and wheat to the extent of deficit in the buffer stocks only. It also made clear to the state governments that the cost of any additional procurement should be borne by themselves. It also winded up procurement operations of FCI and is asking the states to procure on behalf it. To top it all, the government decided to close down the public distribution system on the plea of burdensome food subsidies. So the mere announcement of MSP is not going to help the peasants in realizing higher prices. The experience of last two decades shows that MSP became Maximum Selling Price in the absence of public procurement agencies.

Anticipating this point of view from the critiques, the Finance Minister in the Budget had promised that NITI Ayog would work with the Centre and states to put a fool-proof mechanism in place so that farmers get adequate remuneration if the market prices slip below the MSP. And nothing is heard about this exercise and there is no announcement on the procurement strategy for the year.

Table - 1 calculated prices of major crops according to MSP and Swaminathan formula in the year 2018 – 19

Crop	Cost - C2 per quintal in Rs. according to Swaminathan formula	Price - per qtl. C2 + 50%in Rs. according to Swaminathan formula	MSP per qtl in Rs.announced by Govt.	Difference between C2 + 50 & MSP in Rs.
Paddy	1560	2340	1750	590
Jowar	2123	3274	2430	844
Arhar	4981	7471	5675	1796
Moong	6161	9241	6975	2266
G. nut	4186	6279	4890	1389
Soya	2972	4458	3399	1059
Maize	1480	2220	1700	520
Cotton	4514	6771	5150	1621

Table-2 MSP for Paddy during the last decade

Year	MSP	Increase	% of increase from previous Year
2006-07	500		
2007-08	645	145	29
2008-09	850	205	32
2009-10	950	100	12
2010-11	1000	50	05
2011-12	1080	80	08
2012-13	1250	170	16
2013-14	1310	60	05
2014-15	1360	50	04
2015-16	1410	50	04
2016-17	1470	60	04
2017-18	1550	80	05
2018-19	1750	200	13
