



# Direct Payment of Minimum Support Price

## Why in News

After the recent orders from the [Food Corporation of India \(FCI\)](#), the farm unions warned that the Centre's insistence on **direct payment of [Minimum Support Price \(MSP\)](#)** could derail the **crop procurement process**.

## Key Points

### ▪ Orders from FCI:

#### ◦ Direct Payment of Minimum Support Price (MSP):

- The Centre wants to **make direct online MSP payment to farmers' bank accounts**, to remove middlemen from the process.
  - MSP is the price that government agencies pay whenever they procure the particular crop.
- Currently, **arhtiyas (commission agents)** get the payments in their accounts, which they in turn pay to farmers through cheques.
- The **Centre has to pay 2.5% commission to arhtiyas** who facilitate procurement of the crop from farmers to government agencies and take commission for that from the government.

#### ◦ Jamabandhi System:

- FCI order stipulates that tenant farmers and sharecroppers must produce a jamabandhi.
  - Jamabandhi is a **legal agreement** proving that they have the right to till leased land, in order to get paid for procured crops.
- The FCI's also proposed to **tighten quality requirements for [wheat and paddy procurement](#)**.

### ▪ Significance:

- **Transparency and Accountability:** The FCI has insisted that direct payment to farmers' bank accounts, bypassing the powerful arhatiyas or commission agents, will lead to greater **transparency and accountability**.
- **Non-Discriminatory in Nature:** There is no selection bias in choosing the beneficiaries based on attributes like caste and land size.

### ▪ Challenges to the FCI Order:

- Since arhtiyas play a key role in the Punjab and Haryana farm ecosystem by providing farm loans, the move has been **opposed by a large section of farmers, as well as the Punjab government**.
- According to farm unions, implementing direct payment in haste can lead to many complex problems that will exclude so many farmers from getting their price of the crop.
- Thousands of sharecroppers do not have Jamabandhi or legal agreements and will be hit hard.

- The FCI's proposals to **tighten quality requirements for wheat and paddy procurement** are also being opposed.
- At a broader level, farmers connected their issues with the FCI with their existing demands to repeal the [farm laws](#) and enact a legal guarantee for procurement of all crops and minimum support prices.

## Food Corporation of India

- FCI is a **statutory body** set up in 1965 by the **Food Corporations Act 1964 under Department of Food & Public Distribution, Ministry of Consumer Affairs, Food and Public Distribution.**
- It was established against the backdrop of a major shortage of grains, especially wheat.
  - Simultaneously, the **Commission for Agricultural Costs and Prices (CACP)** was created in 1965 to **recommend remunerative prices (MSP) to farmers.** CACP is an attached office of the **Ministry of Agriculture and Farmers Welfare.**
- It has primary duty to undertake purchase, store, move/transport, distribute and sell food grains and other foodstuffs.
- **Objectives of FCI:**
  - To provide **remunerative prices** to farmers.
  - Ensuring **food security** of the nation by maintaining satisfactory levels of **operational buffer stocks** of food grains.
  - Distribution of food grains throughout the country for the **Public Distribution System.**
  - Effective **Price Support Operations** for safeguarding the interest of farmers.

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