



Farmer's Demand for Legalizing MSP

For Prelims: [Supreme Court of India](#), [Minimum Support Price](#), [1991 Economic liberalisation](#), [World Trade Organisation](#), [Food inflation](#), [Pradhan Mantri Annadata Aay SanraksHan Abhiyan](#), [Pradhan Mantri Fasal Bima Yojana](#)

For Mains: Agricultural Policies in India, Economic Challenges in Agriculture, Farmer Protests, Agriculture Diversification and Sustainability

Source: [LM](#)

Why in News?

The [Supreme Court \(SC\) of India](#) recently criticized the Central Government for failing to engage with protesting farmers and address their grievances.

- The court urged the Centre to consider the demands of farmers while responding to a fresh plea seeking a **legal guarantee for [Minimum Support Price \(MSP\)](#)**.
- This development follows the prolonged protests by farmer groups at the **Punjab-Haryana border**.

What is the Petition for MSP Guarantee?

- **Petition:** It seeks a legal guarantee for MSP on crops, based on promises made during the [2021 farmers' protests](#) after the **repeal of the [farm laws](#)**.
 - The petition demands that the **MSP must be enshrined as a legal right to ensure stable incomes** for agricultural producers.
- **SC's Response:** The SC while not issuing a direct order, the **Court suggested using the High-Powered Committee** to resolve the issue and asked the Centre to respond immediately.
 - The SC's involvement adds legal weight to the ongoing protests, suggesting the need for a more systematic and legal solution.

Why are Farmers Protesting in India?

- **Reasons For Farmers Protests:** The protests stem from long-standing grievances dating back to [India's 1991 economic liberalisation](#), which prioritised industrialisation over agriculture.
 - This has led to increasing distress in rural areas, where farmers struggle with low crop returns and rising input costs.
 - Though the **government sets MSP for many crops, implementation is limited**, with procurement mostly for rice and wheat.
 - Farmers, especially in **non-major cropping areas**, often sell produce below production costs.
 - The [World Trade Organisation \(WTO\)](#) agreements, which are often seen as **promoting free trade**, limit India's ability to **impose trade restrictions or provide subsidies to farmers**.

- This, according to the protesters, hinders India's ability to control procurement policies and subsidies for farmers.
- **Key Demands of Farmers:** The primary demand is for a law that guarantees MSP for all crops.
 - This is based on the [Swaminathan Commission Report](#), which recommends a 50% profit margin over the cost of production, using the '**C2+ 50%**' formula.
 - The **comprehensive cost (C2)** includes all **paid-out expenses**, the imputed value of unpaid family labor, rentals, and interest foregone on owned land and fixed capital.
 - While **MSPs are currently fixed at 50% above A2+FL**, which includes paid-out expenses and unpaid family labor.
 - **Other Key Demands: Full debt waiver for farmers and labourers.** Compensation and pensions for farmers, particularly for those affected by protests or agricultural distress.
 - Better working conditions and wages for agricultural labour.
 - Protection of **indigenous peoples' rights** over land and water.
- **Government's Position:** The central government has repeatedly stated that a legal **guarantee for MSP would be unfeasible**, citing logistical challenges and the high cost of procurement.
 - The government is also concerned about the **economic implications of such a policy**, including [food inflation](#) and **budgetary constraints**.

What are the Arguments For and Against the Legalization of MSP?

- **Arguments for the Legalization of MSP:**
 - **Addressing Farmer Distress:** Legalizing MSP ensures farmers **receive fair prices for their crops**, addressing low returns from market fluctuations and providing **financial security** by covering production costs and guaranteeing fair returns for farmers.
 - **Agriculture's share in India's economy has dropped to below 15%**, with **minimal income growth for farmers** despite industrial and services sector growth.
 - Legalizing MSP can bridge this gap by ensuring fair prices and supporting agricultural development.
 - **Promoting Formal Markets:** Legalizing MSP could promote **formal market transactions**, reduce reliance on **informal markets**, and align with the government's goal of enhancing **transparency through digital agriculture**.
 - **Stable Market Prices:** Legalizing **MSP can reduce price volatility** in the agricultural market, stabilizing both farm incomes and consumer prices.
 - **Cost Calculation Methods:** The **current methods of cost calculation often fail to reflect the true cost of cultivation**, leading to prices below farmers' expenses.
 - A more accurate pricing model, such as the C2+50% method, could better align agricultural prices with other sectors.
 - **Agricultural Investment:** Legalizing MSP would **provide farmers with a predictable income**, encouraging investment in agriculture and improving productivity through **sustainable practices and green technologies**.
- **Arguments Against the Legalization of MSP:**
 - **Logistical Challenges:** Implementing MSP across all crops nationwide is **difficult due to inadequate infrastructure**, such as the **mandi system**, which is not functional in many states.
 - **High Costs for Government:** Procuring all crops at **MSP would require massive financial resources**, leading to budgetary constraints and potential economic strain.
 - **Food Inflation:** MSP could lead to **higher food prices**, affecting consumers, especially if the government is forced to buy all crops at MSP.
 - **Market Distortion:** A legal MSP could **disrupt the natural dynamics of supply and demand** in agricultural markets, leading to inefficiencies.
 - **WTO Constraints:** International trade agreements like the **WTO limit the ability of the government** to provide subsidies or impose restrictions on agricultural trade, which could undermine the effectiveness of MSP legalization.

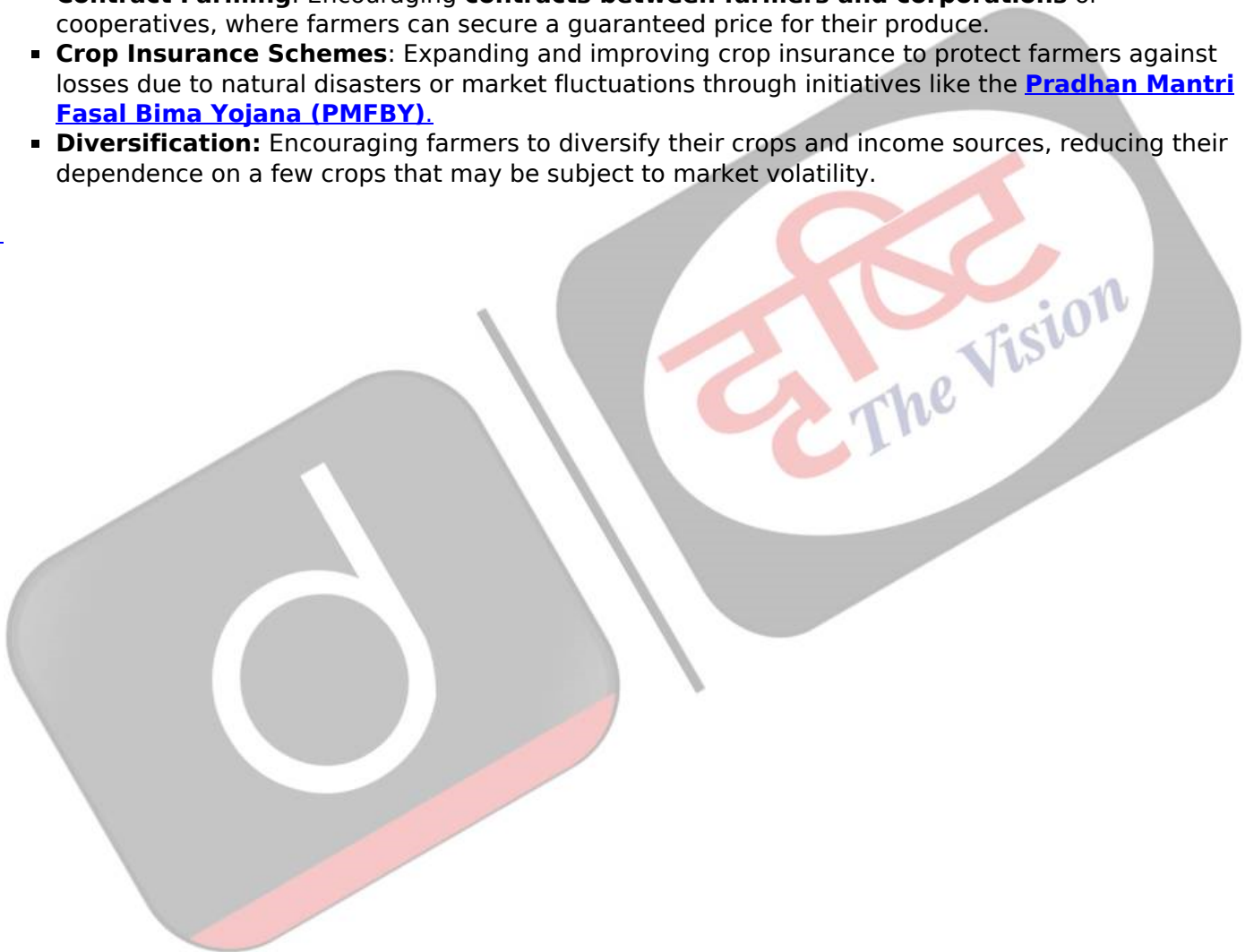
What Can be Alternatives to Legalizing MSP Nationwide?

- **Targeted Approach:** Legalizing MSP for a smaller percentage of crops could stabilize prices

without straining the procurement system.

- This can be supported by [Pradhan Mantri Annadata Aay Sanraksan Abhiyan \(PM-AASHA\)](#), which ensures fair prices for farmers through MSP and price deficiency payments.
- Some states, such as **Madhya Pradesh, Chhattisgarh, and Odisha, have successfully expanded procurement systems.**
 - Instead of a **nationwide rollout, state-specific legislation for legalizing MSP, tailored to local conditions,** could be considered to address regional agricultural challenges effectively.
- **Cooperatives' Role:** One alternative being considered is the **promotion of cooperatives and FPOs,** which have been successful in some sectors like [milk production.](#)
- **Supportive Infrastructure:** A robust legal framework, modern storage facilities, and improved infrastructure are essential for cooperatives and FPOs.
 - The [Pradhan Mantri Kisan Sampada Yojana \(PMKSY\)](#) can complement this by enhancing infrastructure and reducing [post-harvest losses.](#)
- **Contract Farming:** Encouraging **contracts between farmers and corporations** or cooperatives, where farmers can secure a guaranteed price for their produce.
- **Crop Insurance Schemes:** Expanding and improving crop insurance to protect farmers against losses due to natural disasters or market fluctuations through initiatives like the [Pradhan Mantri Fasal Bima Yojana \(PMFBY\).](#)
- **Diversification:** Encouraging farmers to diversify their crops and income sources, reducing their dependence on a few crops that may be subject to market volatility.

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MINIMUM SUPPORT PRICE (MSP)

The rate at which the govt. purchases crops from farmers; based on a calculation of at least 1.5x the cost of production incurred by the farmers

RECOMMENDED BY

Commission for Agricultural Costs & Prices (CACP) (recommends MSPs for 22 mandated crops and Fair and Remunerative Price for Sugarcane)

22 MANDATED CROPS

(14 Kharif, 6 Rabi and 2 Other Commercial crops)

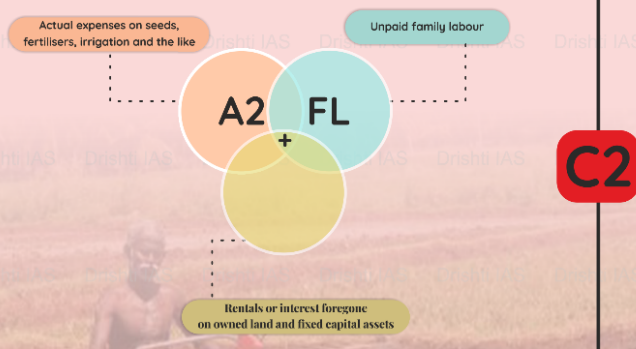
7 CEREALS	Paddy, Wheat, Barley, Jowar, Bajra, Maize And Ragi				
5 PULSES	Gram, Arhar/tur, Moong, Urad And Lentil				
7 OILSEEDS	Groundnut, Rapeseed/mustard, Soyabean, Sunflower, Sesamum, Safflower And Niger Seed				
RAW COTTON		RAW JUTE		COPRA	

MSP is the price at which the govt. is supposed to procure the mandated crops from farmers if the market price falls below it

FACTORS FOR RECOMMENDING MSP

- ▶ Cost of cultivation
- ▶ Demand-Supply situation for the crop
- ▶ Market price trends
- ▶ Inter-crop price parity
- ▶ Implications for consumers (inflation)
- ▶ Environment (soil and water use)
- ▶ Terms of trade b/w agri and non-agri sectors (ratio of farm inputs and outputs)

Considers both A2+FL and C2 costs



MSP has no statutory backing — a farmer cannot demand MSP as a matter of right

Drishti Mains Question:

Discuss the implications of legalizing the Minimum Support Price for all crops in India. Should it be considered a sustainable solution to address agricultural distress?

UPSC Civil Services Examination, Previous Year Question (PYQ)

Prelims:

Consider the following statements: (2020)

1. In the case of all cereals, pulses and oil-seeds, the procurement at Minimum Support Price (MSP) is unlimited in any State/UT of India.
2. In the case of cereals and pulses, the MSP is fixed in any State/UT at a level to which the market price will never rise.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

Ans: (d)

Mains:

Q. What are the reformative steps taken by the Government to make the food grain distribution system more effective? **(2019)**