# Farmers' Protest Around MSP Reflects a Deep Lack of Trust in the Government

**thequint.com**/opinion/farmers-protest-around-msp-reflects-a-deep-lack-of-trust-in-the-government

February 14, 2024

With more than 200 farmers' unions from Punjab marching to the national capital, one of the key demands of ‘Dilli Chalo’ is a legal guarantee of a minimum support price (MSP).

As Harish Damodaran writes to explain the MSP demand issue (and the reasons for it), one needs to realise how farmers, for the most part, operate in a buyer’s market.

> "Since their crops-barring maybe milk are harvested and marketed in bulk, it leads to sudden supply increases relative to demand, putting downward pressure on prices. Such market conditions, favouring buyers over sellers, also mean farmers are price takers, not price makers. Lacking the market power to influence the prices of their produce — or to even set the MRP (maximum retail price), as firms in most industries do — they sell at prevailing supply-and-demand-determined rates."

Harish Damodaran, for the Indian Express
Underlying this is a more structural issue when it comes to analysing the state of the agricultural landscape and farmer-based livelihoods across India: a broken *kisan*-state (trust) contract.

REMOVE AD

A broken farmer-state-union relationship has been one of independent India's worst failings and contributes to widespread rural-urban inequalities.

Having written about this previously, this author explained how the roots of India's agrarian crisis are linked to the issue of managing the 5Ps: *Price, Product, Position, Profitability, and Protection*. These 5Ps, in a general understanding, are the foundational pillars of strategic focus for any enterprise (even farming).

> Farmers have often found it difficult to get their main produce sold at a fair, market price at a place of closer proximity. Their cropping pattern and choice on 'what to produce' and 'how to produce' is conditioned by a string of factors that are less grounded in market principles, but are sourced more in conditions of political levering (around MSPs), poor market infrastructure, high costs of production, and entrenched middlemen-based price interventions.

Furthermore, an urban consumer bias entrenched in our consumption pattern of farm goods adds to the seasonal price fluctuations which become a warring cry on news channels occasionally.

In a previous study undertaken by our Centre for New Economics Studies, studying the average land size under cultivation in Haryana, we saw how around 68-70 per cent of farmers have acreage of less than four to five acres (i.e., 16 per cent of land harvested anywhere between one and two-and-a-half acres; 24 per cent owning anywhere between two-and-a-half and five acres, and 28 per cent with less than an acre). The national level scenario in this regard sees more than 80-85 per cent of farmers having less than two-and-a-half to three acres of cultivable land.

## COP28: Bringing Sustainable Agriculture to the Forefront

## MSP and the Struggle of Farmers

Most states, especially those in northern and central India, don't pay the promised MSP to farmers on all listed crops, even though they are bound by law. India's average farmer is self-reliant (*atmanirbhar*) without adequate support from the government and for worse, remains financially indebted in almost medieval-style living conditions with very little to be content about.

Even during the pandemic-induced lockdown, the situation for most farmers across India (particularly in Haryana, and Punjab) became worse.

Ravinder, a farmer from Bhidnauli village of Haryana had told our team, "*The vegetables we could earlier sell for Rs 30 per kg (in a pre-pandemic time) can now get us only Rs 10 per kg maximum. Our yield has already dropped by at least 25-30 per cent. Farmers who generally grew around 20 quintal (50 mann) of wheat have seen their yield reduced to 14 quintal (35 mann).*"

> Even as more *mandis* opened up, overall demand was still low and extremely volatile, forcing most farmers to sell produce for amounts as low as Rs 2 per kg. Social distancing requirements and poor healthcare safety conditions made many retailers and wholesalers averse to visiting *mandis* while consumers were too afraid to buy non-packaged vegetables resulting in aggregating the demand shock.

In the post-pandemic scenario, farmers have struggled with low subsidy-based budget allocations and ill-conceived ad hoc policies of imposed wheat, and even rice export bans, which restrict their ability to 'profit' out of their crop.

Some economists largely believe that it is better to give farmers "income", instead of "price", support. That would mean transferring a fixed sum of money annually into their bank accounts, whether on a per-farmer (as in the Centre's PM-Kisan Samman Nidhi) or per-acre (the Telangana government's Rythu Bandhu) basis. Direct income support schemes aren't market-distorting and benefit all farmers, as argued here by Damodaran, irrespective of which crop they grow in whatever quantity, and sell to whomsoever at any price.

However, as Damodaran further explains:

> "The flip side to everyone being paid the same money (in terms of transfers) is: where does this leave the real producing farmer, who invests more resources, time, and effort in the field? These farmers, unlike those for whom agriculture is a secondary or incidental livelihood source, may be justified in seeking some kind of price assurance for the crop they are sowing now and harvesting a few months down the line."

## How Can MSP Be Made Legally Binding?

As Harish Damodaran explains here, there are two ways in which the MSP can be made legally binding for the government.

The *first* is to force private buyers to pay it. In this case, no crop can be purchased below the MSP, which would also act as the floor price for bidding in mandi auctions.

As suggested here, "There's already a precedent for private players to pay for MSP: In sugarcane, mills are required by law to pay growers the Centre's "fair and remunerative price" – Uttar Pradesh and Haryana fix even higher state advised prices – within 14 days of supply. In no other crop is the compulsion to pay the government-announced MSP thrust on the private trade/industry”.

> The *second* route is, of course, the government itself buying the entire crop that farmers offer at the MSP. This would mean an added fiscal cost for the government to pay for this at a time when it has clearly prioritised capex-based expenditure at the cost of social welfare, farm subsidies, and other essential scheme-based expenditures.

Back in 2019-20, before the a*ndolan*, government agencies like the Food Corporation of India, the National Agricultural Cooperative Marketing Federation of India, and the Cotton Corporation of India (CCI) procured 77.34 million tonnes (mt) of paddy and 38.99 mt of wheat, worth roughly Rs 140,834 crore and Rs 75,060 crore at their respective MSPs. Further, they purchased 105.23 lakh bales of cotton (MSP value of Rs 28,202 crore in terms of raw un-ginned *kapas*), 2.1 mt of chana or chickpea (Rs 10,238 crore), 0.7 mt each of *arhar* or pigeon-pea (Rs 4,176 crore) and groundnut (Rs 3,614 crore), 0.8 mt of rapeseed-mustard (Rs 3,540 crore) and 0.1 mt of moong or green gram (Rs 987 crore).
REMOVE AD
As Damodaran explained through this chart illustrated here, the MSP value of the total production of the 23 crops (for which MSP is currently provided) worked out to around Rs 10.78 lakh crore in 2019-20. Not all this produce, however, according to him, is marketed.

But it is not as if the Government is required to pay any substantial additional fiscal cost to incur this, given it is already procuring paddy, wheat, cotton, pulses, oilseeds, etc. (from the list of 23 crops) at the MSP. Moreover, as done for sugarcane (in the cited reference above), the Union and the State Governments can ask private firms/buyers to pay for the MSP from what they buy/source directly from farmers.

In the overall allocations for agriculture and allied activities, there is a decline of 22.3 per cent compared to actual expenditure in 2022-23 and 6 per cent decline vis a vis the 2023-24 revised budget.

> The All India Kisan Sabha (AIKS), after the recent Interim Union Budget, criticised the Modi Government for passing an anti-farmer-centric budget for the 10th time in a row. AIKS argued how there has been no allocation to ensure that the long-standing demand of the farmers for ensuring Minimum Support Prices as per the C2+50 per cent estimates becomes a reality.

The allocation for fertilizer subsidy in 2024-25 is Rs. 87339 crores less than the actual expenditure in 2022-23. The allocation for food subsidy is 67552 crores less than the actual expenditure in 2022-23. This was accompanied by budgetary cuts in rural development schemes, Pradhan Mantri Krishi Sinchai Yojana, cooperation, food storage and warehousing, plantations, crop husbandry, flood control, and drainage, land reforms, fertilizer subsidy, food subsidy, dairy development, soil and water conservation, irrigation, nutrition, rural roads, housing, education, and health.

It is quite clear from these macro-fiscal numbers and the lack of fiscal priority towards farmers and rural India, how the Modi Government is promoting the private sector in its fiscal policy and is still ready to embrace a strategy that promotes the corporatisation of farming at the cost of farmer's own welfare and economic wellbeing.

*(Deepanshu Mohan is a Professor of Economics and Director, the Centre for New Economics Studies (CNES), Jindal School of Liberal Arts and Humanities, O P Jindal Global University. This is an opinion piece and the views expressed above are the author's own.* ***The Quint*** *neither endorses nor is responsible for them.)*
*(At The Quint, we are answerable only to our audience. Play an active role in shaping our journalism by becoming a member. Because the truth is worth it.)*