



Cabinet clears new procurement policy-

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Highlights

- The Centre has announced a Rs.15,053 crore scheme to ensure that farmers growing oilseeds, pulses and copra actually get the minimum support price (MSP) they are promised for their crops every year.

PM-AASHA

- The umbrella policy — Pradhan Mantri Annadata Aay Sanrakshan Abhiyan (PM-AASHA) — was approved by the Cabinet Committee on Economic Affairs.
- According to an official statement, it clubs together an existing procurement scheme with newly introduced options — meant for oilseeds only — of additional procurement by private traders or a cash payment scheme.

Credit guarantee

- Apart from the Rs.15,053 crore to be spent over a two-year period to implement the scheme, the Cabinet approved an additional government credit guarantee of Rs.16,550 crore for agencies undertaking procurement.
- The government is working with a holistic approach, Increasing MSP is not adequate and it is more important that farmers get the full benefit of the announced MSP..
- The government announces minimum support prices for 23 crops every year.
- This year, these rates were set at 50% higher than the farmers' production costs, including that for labour.
- The rates are meant to give remunerative prices to the farmers and assure them of some profits.
- About one-third of the harvest of the two major foodgrains, rice and wheat, are procured by the Centre at the MSP for sale in ration shops.
- However, most of the 21 other crops are sold at market prices, often below the MSP, as the government's procurement operations are temporary.
- Copra, pulses will still get price support
- Under the umbrella policy — Pradhan Mantri Annadata Aay Sanrakshan Abhiyan (PM-AASHA) — approved by the Cabinet Committee on Economic Affairs on Wednesday, the existing Price Support Scheme (PSS) will continue for pulses and copra, with Central agencies — including the NAFED and the Food Corporation of India — physically procuring the produce whenever the market rates fall below MSP, up to a maximum limit of 25% of the total harvest.
- The Centre will bear the costs, as per existing guidelines. However, for oilseeds alone, the States will be allowed to choose between the PSS or two new schemes.

Price Deficiency Payment Scheme

- The Price Deficiency Payment Scheme is modelled on the Bhavantar experiment in Madhya Pradesh last year, where there is no physical procurement at all.
- Instead, farmers will sell their produce in the market, and the government will directly pay them the difference between the MSP and the average market rate.
- The cash payment will be deposited in their bank accounts.
- When this scheme was proposed by the NITI Aayog to the States in April 2018, a 60:40 split in costs between the Centre and the States was suggested; it is unclear how the burden will now be shared.
- The other option is a pilot scheme where selected private agencies will procure the commodity at the MSP, instead of the government. Maximum service charges up to 15% of the notified MSP will be payable, said the statement.

Experts sceptical

- While Agriculture Minister Radha Mohan Singh called the policy an important step to double farmers' income by 2022, experts remained sceptical.
- "NAFED has a stock of more than 4 million tonnes [of pulses and oilseeds] because of the last two years' procurement, but their distribution policy is non-existent.
- When market prices are 30% lower than the MSP, who is going to bear the loss," asked Ashok Gulati, an agricultural economist with the ICRIER and former chairman of the Commission for Agricultural Costs and Prices, which sets the MSP.
- Food policy expert Devinder Sharma said earlier experiments with private procurement had collapsed once demand fell.

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