1. Give a brief analysis of the problems and challenges associated with the Minimum Support Price (MSP) regime in India.

Demand of the question:

It expects students to analyse the problems and challenges associated with the minimum support price regime in India. It also expects students to analyse its impact (whether benefits or drawbacks) on agriculture sector.

Introduction:

MSP is the minimum price paid to the farmers for procuring food crops. They are recommended by the Commission for Agricultural Costs and Prices (CACP) and approved by Cabinet Committee on Economic Affairs.

Body:

It acts like a buffer to protect the farmer in case the price of the commodity produced by the farmer falls below the market price due to bumper crop which causes a glut in the market, the Government agencies (usually the Food Corporation of India) procures the grains from the farmers at the prices announced by the Government. CACP recommends MSPs of 23 commodities.

Problems and challenges associated with the minimum support price regime:

- Stagnant rates of MSP: The government declaration of Minimum support prices do not increases at par with increase in cost of production. As CRISIL has pointed out that the increase in MSP has indeed fallen in the year between2014-17.
- MSPs have unequal access: The benefits of this scheme do not reach all farmers and for all crops. There are many regions of the country like the north-eastern region where the implementation is too weak.
- Procurement problems: Almost 2/3rd of the total cereal production is taken through the route of MSP, leaving only 1/3rd for open market. Hence, farmer can't take benefit of market prices and has to depend solely on the MSP. It prevents the farmer from earning of profits.
- Higher MSP over-incentivise production leading to supply glut. Hikes in MSP also adversely affect the exports by making Indian farm goods non competitive especially when international market prices are lower.
- Free market principle distorted: It distorts the free market. It favours some particular crops over other crops.
- Degradation of natural agricultural components: MSP lead to non-scientific agricultural practices whereby the soil, water are stressed to an extent of degrading ground water table and salinisation of soil.
- Killing of competition: Any interference by the government kills the competition. This affects the agents who procure the crops at lower prices and sell them at higher prices and earn profits. This mainly disturbs the working of people who sell these outputs from farmers into the open market.

- Surplus storage: Surplus procurement without sufficient storage has resulted in huge piling of stocks in the warehouses. The stock has now become double the requirements under the schemes of PDS, Buffer stock etc.
- Issues in WTO: India's MSP scheme for many crops has been challenged by many countries in the WTO. For example, Australia has complained of the MSP on wheat, US and EU complained of sugarcane and pulses MSP.

Despite these numerous challenges posed by the MSP, it has proved beneficial in following aspects:

- The Minimum Support Price mechanism proved beneficial in transferring incomes to rural areas and to counter farm level inflation.
- It countered the agricultural distress brought on by natural hazards in the country.
- Higher profits for the farmer also helped them to invest in necessary infrastructure and equipment.
- Lack of sufficient penetration of agricultural insurance schemes for farming has made farming a risky profession exposed to weather and price fluctuations. The minimum support price to some extent protected the farmer by guaranteeing a minimum floor price so that they can plan in advance for the next season.
- MSP motivated farmers to grow targeted crops and increased production. It also incentivizes production of specific food crops which is short in supply.

Tackling the challenges associated with Minimum Support Price:

- The suggestion of the National Commission of farmers (Dr.M S Swaminathan committee, 2007) to fix the MSP at cost of production + 50% so as to have a definitive roadmap for fiscal expenditure and better remunerative output for farmers rather than ad hoc methods.
- Farmer awareness about the benefits of crop diversification so as to produce more pulses to ensure nutritional security and prevent supply-side shocks.
- Impetus to improve the agriculture infrastructure should be provide such as cold storage building, warehouses for perishable production, so in case of surplus production they will not be wasted. For instance, in this light a new pan India Central Sector Scheme-Agriculture Infrastructure Fund is established.
- NITI Aayog is working on alternative mechanism. A counterpart of the MSP is the Market Intervention Scheme (MIS), under which the state government procures perishable commodities like vegetable items.
- Price Deficiency Payment (PDP): Niti Aayog also proposed PDP; PDP is to support the farmers in case the market price falls below Minimum Support Price (MSP) is called, "Price Deficiency Payment". This system aims to provide a part (for example, 70-75 %) of the difference between the MSP and the market price to the farmers.
- Some states like, Haryana government launched Bhavantar Bharapai Yojaan for vegetables, the government pays the farmers the difference between model rate (the average prices in major mandis) and the minimum support prices (MSPs). It can be better alternative.

Conclusion:

On the whole, it can be said that the MSP has succeeded in providing floor rate for major food grains and other produces. Most of the times it did not allow market prices to fall below the MSP fixed for them. Hence, the MSP should continue as it insulated farmer from an unfavourable market conditions by assuring them a minimum return for their produces but at the same time the newly emerged challenges should also needs to be addressed to increase its effectivity.

2. Is the mechanism of direct benefit transfer (DBT) scalable and replicable across different sectors? Critically examine.

Demand of the question:

It expects students to analyse mechanism of direct benefit transfer (DBT). It also expects students to analyse both aspects of scalability and replicability of DBT across different sectors.

Introduction:

Direct Benefit Transfer or DBT is a part of the Indian government's anti-poverty programme where government is trying to alter the method of transferring subsidies. In DBT, benefit or subsidy will be directly transferred to citizens living below the poverty line. DBT is applied in programmes & schemes like Student Scholarship, LPG subsidy etc.

Body:

Direct benefit transfer reaches to beneficiary through following mechanism:

- First, Identification of beneficiaries and digitisation of beneficiary database takes place.
- Then,Opening of bank accounts if beneficiary doesn't have any bank account.
- Once bank account is opened up, Aadhaar enrolment of beneficiary should take place.
- The,Seeding of Aadhaar in beneficiary database and bank accounts.
- Initiating Last mile connectivity/service delivery as per the protocol through directly depositing the money in to beneficiaries account.

Reliability of mechanism of Direct Benefit transfer across different sectors:

- PAHAL is the first major programme in India that provided subsidies through DBT. With nearly 150 million registered beneficiaries, it is probably the world's largest DBT programme ever.
- The goal of the DBT is subsidy reform and not doing away with subsidies. It targets beneficiaries effectively so that they flow only to the intended beneficiaries.
- The problems of Public distribution system such as product adulteration, leakages, ghost ration cards and harassment of beneficiaries by the rationing bureaucracy can be avoided through DBT. Hence, its reliability can be measured on this ground that it ensure targeted subsidy delivery.
- With the help of the Aadhaar number, the identification of the beneficiary can be done better.
- It Reduces the need for large physical movement of goods. It Also reduces citizens hardships.

Scalability of Direct Benefit transfer across different sectors :

- Cash transfer: Under this scheme, cash is directly transferred from the government to the individual beneficiaries. For instance, Some of the examples are the National Social Assistance Programme (NSAP) and MGNREGA.

- In-kind benefits from the government to beneficiaries: Components of the schemes or the schemes itself are a part of this category. The government provides beneficiaries with in-kind benefits via an intermediate agency.
- The government usually bears the cost to buy the goods that can be used for public distribution as well as for providing them to the beneficiaries that they have targeted. The beneficiaries then get these services or goods for a very low price or for free. e.g. Manufacturers of fertilizers receive 100% of subsidy after fertiliser is delivered to the farmer.
- Other forms of transfers: Incentives, allowances, etc., that are provided to Non-Government Organisations (NGOs) and community workers come under this category. They are provided such allowances because of the service they provide to other beneficiaries and to the community. e.g. NABARD agri-loan mechanisms.
- Hence, the flexibility of offering DBT via different methods ensures the scalability of the DBT, as DBT can be modified or moulded as per need of different sectors.

Despite its wide scale application and scalability DBT mechanism still poses some challenges:

- Aadhar registrations presently covered around 91% of population. Since DBT is linked with Aadhar for schemes, there is need to improve Aadhar linkage to 100% so that not a single person can be left out.
- Low level of digital literacy in the rural areas poses one of the major challenge in implementing this mechanism.
- India has reached 81% financial inclusion and this will potentially exclude people from the rural background. Lack of banking facilities will exclude people to access facilities. Here, governments PM- Jan dhan Yojna will play a pivotal role.
- Bank Correspondents face numerous challenges to reach people, who do not have bank account. Banking correspondents also struggle with connectivity and technical problems. Banking services at rural level needs to be improved to reach benefits to all.

It can be said that DBT has some structural and organisational challenges. Which needs be addressed in a due period of time. Overall it seems that reliability and scalability of DBT mechanism can play a major role to ensure welfare of people in different sectors of economy.

Conclusion:

Hence, In a heterogeneous country like India different sectors have different objectives and challenges. Here, DBT mechanism due to its scalability and reliability can play a major role by fulfilling & addressing sector specific objectives and challenges to ensure good governance for all.

3. What are the main features of the ordinance related to APMCs, recently announced by the Government? How will it help the farmers? Discuss.

Demand of the question:

It expects students to write about the main features of the ordinances related to APMC's along with discussing its benefits and drawbacks for the farmer.

Introduction:

In order to revive the Indian economy, the Central government has announced the Atmanirbhar Bharat Abhiyan. Agricultural reforms are part of the third tranche of the economic package announced under Atma nirbhar Bharat Abhiyan which may yield better income for farmer in coming days.

Body:

Government of India Intends to reform the marketing and regulation related to APMCs in agriculture field through following two ordinances:

The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Ordinance, 2020: (FPTC)

- It seeks to provide for barrier-free trade of farmers' produce outside the markets notified under the various state agricultural produce market laws (state APMC Acts). The Ordinance will prevail over state APMC Acts.
- Trade of farmers' produce: The Ordinance allows intra-state and inter-state trade of farmers' produce outside the physical premises of markets or deemed markets notified under various State agricultural produce market legislations.
- Besides, the Ordinance will provide a facilitative framework for electronic trading and matters connected therewith or incidental thereto.
- A farmer is defined as a person engaged in the production of farmers' produce by self or by hired labour.
- No fees to be levied by states: The Ordinance prohibits state governments from levying any market fee, cess or levy on farmers, traders, and electronic trading platforms for any trade under the Ordinance.
- Dispute resolution mechanism is explicitly structured out for efficient dispute resolution.
- The central government may prescribe modalities for such platforms procedure, norms, and manner of registration, code of conduct, quality assessments, and modes of payment.

The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Ordinance, 2020:

- It provides a framework for the protection and empowerment of farmers with reference to the sale and purchase of farm products. The provisions of the Ordinance will override all state APMC laws.

- Farming agreement: The Ordinance provides for a farming agreement prior to the production or rearing of any farm produce, aimed at facilitating farmers in selling farm produces to sponsors.
- It also specifies the Duration of agreement.
- Pricing of farming produce: The price to be paid for the purchase of a farming produce will be mentioned in the agreement.
- Delivery and payment: The Ordinance specifies that the sponsor will be responsible for all preparations for the timely acceptance of deliveries and will take deliveries within the agreed time.
- Dispute Settlement: The Ordinance requires a farming agreement to provide for a conciliation board as well as a conciliation process for settlement of disputes.

Benefit for farmer:

- The freedom to produce, hold, move, distribute and supply will lead to harnessing economies of scale and attract private sector/foreign direct investment into the agriculture sector.
- It will help drive up investment in cold storages and modernization of the food supply chain.
- An amendment to FPTC will create an ecosystem where the farmers and traders would enjoy freedom of choice of sale and purchase of agri-produce.
- It will also promote barrier-free inter-state and intra-state trade and commerce outside the physical premises of markets notified under State agricultural produce marketing legislations.
- It empowers farmers for engaging with processors, wholesalers, aggregators, large retailers, exporters etc. and thus eliminating intermediaries resulting in full realization of price.
- Farmers have been provided adequate protection. Sale, lease or mortgage of farmers' land is totally prohibited and farmers' land is also protected against any recovery.
- It also provides an effective dispute resolution mechanism with clear timelines for redress. Hence, farmer will not hesitate to take risk.

Though these kind of reforms will liberate the farmer from limited choices provided by state specific APMC regulation. There are some pitfalls too as pointed out by some experts:

- Rather than replicating Punjab's successful agriculture mandi model, now states will lose vital revenue to even upgrade and repair rural infrastructure.
- When farmers sell agricultural produce outside of APMC market yards, they cannot legally be charged commission on the sale of farm produce. To survive, the APMCs across the nation will have to radically standardise and rationalise their mandi fee structure and limit the commission charged by traders on sale of farmers' produce.
- The move seems to promote free trade under the slogan of one nation one market where some small and marginalised farmers need some state backed protection.

- The peasantry at large will be at the mercy of the Agri Business Corporations since there will not be any arrangements for price support and price stabilisation for crops.

Conclusion:

As these reforms are the most awaited reforms since Independence, they carry big potential to change the Indian agriculture sector by improving the income of farmer, large scale infrastructure investments, dispute resolution mechanism etc. Hence, if implemented in letter and spirit they can open the door of golden age for Indian farmers to promote the Indian farming sector as big farming business.