

## September 5<sup>th</sup>, 2018 Sample Current Affairs

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## **1. State's decision to make MSP mandatory for traders will lead to chaos.**

- What would be the implications if buying at MSP is made mandatory?
- What is the way forward?

### **GS paper 3 (Issues related to direct and indirect farm subsidies and minimum support prices)**

**In this video, you can find detailed answers for all the above questions.**

#### **The above article has been retrieved from:**

Ashok Gulati , Shweta Saini. ( 2018, September , 05). From Plate to Plough: Maharashtra vs Market. Indian Express. Retrieved from <https://indianexpress.com/article/opinion/columns/msp-for-farmers-narendra-modi-govt-minimum-support-price-maharashtra-elections-5336486/>

#### **What is the context about?**

- With farmers' agitations rising due to low prices of several agri-products, the government is desperately looking for ways to win them back.
- The Centre's announcement fixing MSPs at 50 per cent above costs (A2+FL) is viewed as a game-changer in wooing back the farming community. Several states have buffered the MSP increases with bonuses.

- ❑ Maharashtra is the latest entrant in the race to appease farmers. In a controversial move, the Government of Maharashtra (GoM) has made buying at MSP mandatory in the state for traders.

### **What would be the implications if buying at MSP is made mandatory?**

- ❑ In the first scenario, let us assume that traders fall in line and buy everything at MSP or above. What if supply exceeds demand for some kharif products. Market prices will tend to fall, possibly below MSPs, much like they are currently for most kharif crops.
- ❑ In scenario two, a private trader buys at MSP, unloads the produce at prevailing market prices that are below MSPs and incurs heavy losses. This one is a non-starter. No rational businessman would do that unless the government promises to compensate losses.
- ❑ In the third scenario, Maharashtra's neighbouring states like Karnataka, Madhya Pradesh and Gujarat are selling the same crops at prices below MSP. Maharashtra's traders may move to the adjoining states and buy at market prices. In that case, the GoM becomes the buyer-of-last-resort, resulting in a de facto takeover of the wholesale trade.

### **What is the way forward?**

- ❑ The MSP of almost all the commodities is already on-par or greater than international prices. So irrespective of

formula the govt. applies, there are bound to be blowbacks. It is time to look at other side of the equations of  $MSP = 1.5 A^2 + FL$  or  $MSP = C^2$ ; the cost to the farmers.

- ❑ But because govt. already offers so many subsidies, that too can't be taken down any further in objective terms, except if the yield is increased. The farmers can earn more by higher MSP or at lower MSP with higher yield-second of which is more sustainable.
- ❑ So If swami Nathan doesn't mind, the most feasible approach would be to bring  $C = MSP/2$  or for current government, the yield should be increased 50% rather than MSP.