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Exploring Governance Problems in Implementation of Minimum Support Price Policy

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Abstract

The Minimum Support Price policy enjoys wider appeal among the farmers community. The Government of India sets Minimum Support Prices for 24 crops annually with the intent of ensuring farmers receive a minimum price for their marketable produce, and providing a safety net for farmers making farming a more stable and economically viable enterprise. However, the implementation of the policy is often punctuated by farmers' protests demanding the designated minimum prices and legal guarantee. The policy implementation suffers from multiple set of problems, which do not get the expected attention. Though extant research has excessively focused on examining the intrinsic problems of the support price policy, it contributed to mostly neglecting the governance issues afflicting the policy. The critical analysis of support price policy implementation revealed that the policy is suffering from several governance problems such as red-tape, corruption, lack of awareness about procurement centres among small and marginal farmers, and so on. The understanding of these issues would go a long way in enhancing the effectiveness of the minimum support price policy in India.

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Introduction

The Minimum Support Price policy enjoys wider appeal among the farmers community. The Government of India sets Minimum Support Prices (MSP) for 24 crops annually with the intent of ensuring farmers receive a minimum price for their marketable produce, and providing a safety net for farmers making farming a more stable and economically viable enterprise (Commission for Agricultural Costs and Prices, 2024; Bhatti, 2021; Kujur, 2024). This underscores its intrinsic value to agricultural sector and socio-economic well-being of a large farming populace. Despite the existence of comprehensive price policy framework, farmers often do not receive MSP for their goods (Vasudev, 2018; Planning Commission of India, 2013). As a consequence, implementation of the policy in the country is punctuated by fierce farmers' protests for increasing the prices, seeking legal guarantee to MSP, and/or setting-up of agricultural procurement centres. The prices of agriculture commodities have

become a burning and politically sensitive issue because they affect the farmers' earnings and eventually their welfare. Given the significance of the policy in restoring a semblance of stability in agricultural commodity prices, it is an object of expansive systematic enquiries. Some have studied its effectiveness (Deshpande, 2003; NITI Aayog, 2016), while others have assessed the impact of MSP on agriculture economy at state level (Deshpande & Naika, 2002). The investigations have also focused on understanding the level of awareness about the policy and how it has influenced the farmers' decision making relating to cultivation of crops (Aditya et al., 2017), and making sense of causal factors contributing to crop and regional disparity in procurement process (NITI Aayog, 2016; Reddy, 2024). The governance problems, even though discussed and debated widely, have not received adequate systematic treatment in scholarly works. The study has critically examined and evaluated the implementation of MSP in India by using document

analysis method to gain insight into the governance issues undermining the effectiveness of price policy.

Minimum Support Price Policy at a Glance

The MSP had its genesis in the green revolution strategy adopted by the Government of India in the second half of the 1960s. Since then it formed a key policy instrument to enhance production. It is aimed to serve two broad purposes: to ensure that farmers get remunerative prices for their marketable surplus, and provide them financial incentive to make investment in production oriented technology (India, Department of Agriculture and Cooperation, 1986; Parikh and Singh, 2007). The policy was inspired by Franklin D. Roosevelt's New Deal Policy for agriculture (Singh, 2024).

Since then, the pricing policy has been given a positive mandate to increase domestic production and increase the availability of food grains (Acharya, 1997). However, the purpose of the MSP policy has undergone changes over time. Procurement prices are fixed by the Government annually in consultation with the Commission of Agricultural Costs and Prices (CACP) and announced before the start of cropping season.

The Commission was set up on the recommendation of the L. K. Jha Committee to regularly advise the government in formulating a well thought-out pricing policy (Aditya et al., 2017). The broad policy framework of the Minimum Support Price Policy was spelt out in 1965 in the Terms of Reference suggested for constitution of the Agricultural Prices Commission. While formulating an agricultural price policy, the Commission has to consider not only the interests of producers and production growth, but also the impending impact of the price policy on the cost of living, wage levels and industrial costs. Currently, the Government of India determines the support prices of agriculture commodities by factoring in production costs and computed family labour value (A2+FL method), which was adopted in 2018 (Ministry of Finance, 2018). The Government fixes MSP for the principal agricultural products to achieve the above stated objectives. Though prices are decided on the recommendations of the Commission of Agricultural Costs and Prices (CACP), they are implemented by the State Agricultural Produce Marketing Committees (APMCs). It is statutorily binding upon the APMCs to pay the farmers MSP decided by the Government.

The task of actual procurement of grains is undertaken by the State Government/State Agencies in a decentralized mode on behalf of the Food Corporation of India, a designated "nodal agency" for this work. For example, to facilitate its smooth and efficient execution and to coordinate the activities of APMCs, the Government of Maharashtra established the Maharashtra State Marketing Board on March 23, 1984 under the Maharashtra Agricultural Produce Marketing (Regulations and Development) Act, 1963.

In the revised policy of the Government of India, the procurement of coarse grains from farmers is included in the policy as "Nutri-Cereals" due to growing awareness about their nutritional values (Ministry of Consumer Affairs, Food and Public Distribution, 2021). A notable feature of this policy is the recognition of the dynamic role

of State Government/its Agencies for their procurement and distribution on priority through different foodgrains distribution schemes.

It also lays down time-bound process for distribution of procured coarse grains as they have shorter shelf life of about three to ten months. However, it stipulates that buying period of any commodity shall not exceed three months' timeline and shall continue for a month from the time of conclusion of harvesting of the concerned commodities in the State ((Ministry of Consumer Affairs, Food and Public Distribution, 2021: 2). The policy also states that the State shall have to prepare procurement plan well in advance of the beginning of each Marketing Season. The procurement plan should be devised by factoring in the status of production, marketable surplus, price trend, etc. of grains covered in the MSP policy. Further, it provides for direct online transfer of payments in lieu of the procured goods.

The paper is organized as below. The following section offers a brief sketch of the Minimum Support Price Policy in India and its implementation process. The analytical framework is discussed in the third part of it. The fourth section gives a narrative account of governance problems associated with implementation processes adversely affecting usability and utility of the policy for farmers. The paper concludes by making some observations.

Methods and Materials

The agricultural price policy is critical component of the new agriculture strategy adopted in the second half of the 1960s with multiple objectives: to enhance production, to ensure that farmers receive remunerative prices and incentivize them to make investment in production-oriented technology (India, Department of Agriculture and Cooperation, 1986:76). The MSP is dealt with in several studies as an agricultural policy or price policy schemes at both the national and state levels (Acharya, 1994; Rao, 2012). Some studies have expressed doubts regarding its effectiveness (Deshpande, 2003:52; NITI Aayog, 2016). According to the Twelfth Plan, cultivators did not get remunerative prices for their agricultural produce (Planning Commission of India, 2013). The other studies have assessed the impact of MSP on agriculture economy at state level (Deshpande & Naika, 2002). The investigations have also focused on understanding the level of awareness about the policy and how it has influenced the farmers' decision making relating to cultivation of crops (Aditya et al., 2017), and making sense of causal factors contributing to crop and regional disparity in procurement process (NITI Aayog 2016; Reddy, 2024). The studies focusing on governance problems are rarely undertaken, even though some of those issues are at the center of public discourse and political campaigns. It presents governance problems in agricultural price policy implementation as issues associated with the way organizations, systems and policy process are administered and regulated in the course of procurement of agriculture commodities, drawing insights from Paul Cairney's work on implementation and governance problem (Cairney, 2009). It also explores the governance problems and explanations of those findings.

A qualitative approach of document analysis is used for the purpose of the paper.

It is a methodological technique of critically examining printed and electronic documents (Bowen, 2009) to derive meaning, develop understanding and acquire knowledge of social phenomenon. The data for the study is drawn from various documentary sources such as reports, policy scheme documents, published research, newspaper articles and commentaries. These have been critically examined to explore the governance problems in the MSP policy.

Results and Discussion

The foodgrains procurement policy provides a detailed explanation of how, when and who should be responsible for executing it at the ground level. Notwithstanding it, the implementation of procurement policy is turning out to be a complex and highly controversial affair. At times, it found itself at the centre of numerous high voltage political protests drawing commentators and observers attention to its governance. The critical examination of implementation of MSP has brought forth several key governance problems that are holding it back from realizing its desired goals effectively. These problems are described in this section.

The analysis of extant procurement policy practices and processes indicated that sale, purchase and procurement of various commodities is predominantly done at district level only. Even though the entire operation is proactively monitored by the district supply agency, the problem of accessibility of procurement centres has been identified as a major barrier to effectiveness of MSP. As a result of their distant location, they are more often beyond the reach of small and marginal farmers, because they do not possess requisite capabilities and human capital. The farmers also lack awareness about whether the centres have been set-up in a marketing season; and those are functioning. In a policy evaluation study by the author of this paper, the following response of farmers to query about MSP aptly captures the state of affairs:

“A large number of farmers do not sell their produce to the Government procurement centres. Farmers cite lack of knowledge of location of procurement centres, lack of marketable surplus and better price in open market as three top reasons for not selling agricultural produce to the procurement agency. When asked why he was not selling goods to the procurement agency, a farmer asked, “Can you tell me where it is?” This statement is indicative of ineffective policy outcome policy” (Mundhe, 2017).

Administrative burden is the governance problem revealed from the examination of MSP policy implementation. Administrative burdens are experiences of citizens in the context of citizens – state interface (Burden et al. 2012). They occur in three different forms: learning, compliance and psychological burdens. Learning burdens involve knowing more about policies, or people’s entitlements. Second, the time, effort, and money spent on fulfilling administrative requirements results in compliance burden.

To avail of benefits offered under the MSP, a farmer has to register himself online, submit documents like 1/12 abstract, copy of AADHAR, bank passbook copy, cancelled cheque, etc.

Many small and marginal had to face hardship in complying with administrative requirements. Third, psychological burdens occur in the form the experiences of disempowerment, feelings of inferiority and related stress. The administrative burden puts off many farmers denting the efficiency and effectiveness of the policy.

One of the highly debated governance problem observed in MSP policy implementation is delayed release of payments to farmers in lieu of commodities sold to procuring agencies. It is an irony of sorts that the online payment system meant to speed up the payment processes is turning out to be the cause of delays. Farmers’ complaints of not getting payments in time have been reported from parts of the country (Deshmukh, 2022; Moudgal, 2017). Many a times, payments are released as late as by a month or so. This is completely in contrast to the practices followed in the open market, where procurement dues are paid on real time basis. As a result of this, many producers, especially small and marginal farmers, prefer to sell their produce in the open markets over the government run trading centres. Thus, depriving them of their rightful claims.

A significant governance problem associated with the execution of MSP policy is prevalence of multiple mal-practices including numerous instances of corruption. In a study of paddy procurement in Bhandara district of Maharashtra, Karanwal found that grading norms and fair procurement practices are not strictly adhered to by the procuring centers, the supporting documents produced by the farmers are not duly signed by the competent authorities and the system is bent to favour some major players in the marketing business (Karanwal, 2022). Farmers routinely complain that moisture content, a measure of the quality, of their goods are often unfairly assessed. Over reporting of moisture content is a commonly resorted mal-practice in exchange of petty illegal gratifications. Since selling off produce to the procurements centers require prior registration, it is geared to serve farmers on the principle of first come first serve basis. But there are reports that the farmers manage to jump the queue by greasing the palms of procurement officials, reinforcing the perception of persistence of corruption in the procurement practices.

The implementation of the policy is embroiled in the red tape. The officials involved in the procurement process and those overseeing the operations insist upon following the laid down procedures, rules and regulations, and process. They seek strict compliance with them, if the farmers want to sell-off their goods to the procuring agencies. This has multiple layers, complex processes, often requiring endorsement and approval by many other government agencies.

To navigate this bureaucratic labyrinth is a big ordeal for poor farmers with low human capital, which deprives them of rightful claims and often comes in the way of farmers getting the right prices for their crops. Along with other design problems, their combined effect amplifies the inefficiency and ineffectiveness of the policy.

Conclusion

The agricultural price policy is a critical component of the new agriculture strategy adopted and implemented to serve the farmers' interest. Efforts are underway to ensure that farmers receive remunerative prices and incentivize them to make investment in production-oriented technology. But the policy implementation suffers from multiple sets of problems. The critical analysis of support price policy implementation revealed that the policy is suffering from several governance problems such as red-tape, corruption, lack of awareness about procurement centres among small and marginal farmers, and so on. The knowledge of these issues and addressing them on a priority basis would have a significant impact on the effectiveness of the minimum support price policy in India.

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