

After The Repeal Of The Three Agri Laws, Farmer Unions Now Want A Legal Guarantee For Minimum Support Price. Should The Govt Give In?

How can govt have MSP for years and yet not want it to be backed by law?

Legislation will only create a black market and encourage corruption

The nation is grappling with the acronym MSP, short for Minimum Support Price, for agricultural produce. For farmers who are roughly two-thirds of the nation, these three letters represent a lifeline and they want that lifeline to be given legal sanctity. For some whose livelihoods are not dependent on income from farming, they represent multiple phobias — they want the MSP regime to be disbanded altogether or, at the very least, that right of farmers to be never legalised. Hence, this debate about legalising MSP. There is, however, no debate since survey after survey shows that income from farming is inadequate to sustain basic financial needs of farming households, and the Prime Minister himself has assured that there was, there is and there will be MSP. MSP has existed as a policy of the Government of India for nearly 60 years, and an army of people is employed by the government at fixed illegally guaranteed incomes to compute it twice every year India's food independence and security against hunger are



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to end there. Every Indian must wonder about the credibility of a government that wants to make policy but does not "want" that policy to be legally enforced. It reeks of plain bad governance and lack of political will. The present government has sworn an affidavit before the Supreme Court asserting that a law to guarantee MSP to farmers will distort the market. The same government has since on a dozen occasions announced MSP. Is the government's logic that MSP can be announced but not be enforced or guaranteed? Can any government that believes it is sovereign make announcements year after year and allow the announcements to be ignored with impunity? What does this wink and nudge on MSP by the government say about its intent and commitment to the nearly 900 million farm income-dependent Indian citizens for whom MSP is a lifeline? Can it not be said that the government is tricking farmers into believing that they will get MSP when, in fact, the government knows that they will not. This, and only this alone should be the most compelling reason for legalising MSP — no elected government can trick the electors, no democracy can work on this premise. And those who believe that the government has a right to trick electors will be the first to cry hoarse when their law to enforce MSP is divisive. It turns a section of Indians against the other.

Senior ministers of the present government when arguing in favour of the soon-to-be-repealed so-called agri reform laws have pleaded that these laws be allowed to be implemented before its effects are debated. The same argument then holds true for a law on MSP. Why not enact and implement a law guaranteeing MSP and then examine whether the multiple phobias come true or not?

The proponents of free-market price discovery of life-saving food commodities conveniently overlook the fact that it is this very mechanism that has pushed farmers in western countries out of farming and placed food production and supply in the hands of corporate behemoths. While low population countries of Europe and North Amer-



➤ MSP is the floor price at which foodgrain is procured from farmers by central and state governments

➤ It was introduced in the sixties during the Green Revolution to encourage farmers to grow food crops

➤ Currently, there are 23 crops which have MSP but the bulk of procurement is wheat and paddy

ica may have been able to absorb the out-of-work farmers elsewhere in the economy, where will the 900 million farmers of India be absorbed? And it is these very free-market pundits who want the government to control prices at the retail end.

The demand for legal guarantee of MSP also stems from the constitutional fundamental right to life and livelihood. It is the constitutional duty of the government to ensure and enforce this fundamental right in favour of the farmers of India. A law legalising MSP is an instrument

in the hands of the government to meet this constitutional duty. By not making that law, the government is failing to discharge its constitutional duty. That failure makes the government unlawful and liable to be replaced. That's how democracies work.

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lions out of poverty by transferring funds into their bank accounts.

Third, if our objective is to reduce farm price volatility, then direct funds transfer to the poor can partially address that objective along with a well-regulated, trustworthy and accountable crop insurance system — definitely not of the sort that exists today.

The harms of MSP must also be taken into account. MSP is given only for a few crops which means there is excessive production of these at the expense of other crops that may be more nutritious and could earn us export revenues. This distorted focus also depletes the water table. There is a demand to expand MSP to more crops. That would make things much worse. Even setting the price for MSP is fraught, for only markets can truly determine any price, not bureaucrats.

We must also take into account the effects of MSP on equity. Poor farmers get virtually nothing from MSP because they have little or no surplus; many subsist as agricultural labourers. Some farmers do benefit on occasion, maybe in a few states, but the largest chunk of the funds allocated to MSP is siphoned off by the government's machinery.

In sum, MSP may have a few positives but it has many negatives and should be dropped only with great circumspection. Our Supreme Court Farm Law Committee's report provides a lot more information.

Unfortunately, a new demand has emerged — for a guaranteed, legislated MSP in which the private sector is forced to buy at the support price. We know that governments can use taxpayer funds to buy high and sell low, but even they can only do so till they bankrupt the nation (e.g. our gold was forced by the socialists to be flown to London in 1992). But no trader or stockist has this luxury. A legislated guarantee will create a black market. The farmer will be forced to surreptitiously sell at a price even lower than an already low market price. Inspector Raj will look like heaven compared to the situation if traders are jailed for buying below MSP. This will lead to unprecedented corruption and the food distribution system will collapse. A legislated MSP guarantee is entirely unimplementable

and extremely dangerous.

There is a more fundamental issue here. Why are we having this discussion — which is a comparison between two shades of micro-management of the economy? The nation needs to reject the failed policies of Marx. Let us revert to India's own economic model of 'Shubh Labh'. Did our ancient kings operate banks, run buses and hotels, trade in foodgrains or produce cement? In our scriptures, the government's duty, its dharma, is to ensure justice, security and infrastructure. No more. We have all heard of the saying: 'Jahaan ka raja ho vyapaari, nahaan ki praja ho bhikhari' (Where the king is a trader, the people are beggars). Kautilya's Arthashastra also emphasises free trade and good regulation.

Modi talks about minimum government, maximum governance but he has abandoned the three farm laws that would have reduced the stranglehold of government on farmers. The farm laws had their own defects which our committee has pointed out. They were nei-

If one of the objectives of MSP is to help the poor, we can now effectively use a more direct policy: for less than the amount we spend on MSP, millions can be lifted out of poverty by transferring money into their bank accounts

ther based on a policy rationale nor were wide consultations held. Farmers need far more fundamental reforms to increase market and technology freedom; and compensation for decades of negative subsidy. Let the government set up a committee to prepare a white paper on agriculture to explore the state of affairs and consider the costs and benefits of various options. Let there be wide consultation. And let new laws be created that facilitate enterprise. MSP should be reviewed as part of this process.

Excessive regulation (much of it sheltered in Schedule 9 of the Constitution) is choking farmers' production and marketing efforts. Let farmers produce and buy and sell as they think best.

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Free-market pundits are conveniently overlooking the fact that it is this very mechanism that has pushed farmers in western countries out of farming and placed food production and supply in the hands of corporate behemoths

non-negotiable and this independence and security depends on farmers continuing to farm and produce food to feed nearly 1.38 billion citizens.

There is no debate that the poor of India have incomes that are too meagre for them to be able to feed themselves and, hence, have to be provided food for survival at highly subsidised rates; in fact, they have legislative guarantee to food. Even the most die-hard capitalist is not arguing in favour of hunger deaths. So let us put an end to this debate about legalising MSP with a simple question — should a government have a long-standing policy which it publicly proclaims it is implementing and yet not want that policy to be backed by legislation that ensures legal enforcement of that policy? The answer must surely be a resounding "No" and the debate ought

The origin of MSP dates back to the famines of the 1960s when it was designed mainly as a way to build a strategic food reserve. Our organisation does not oppose MSP in principle, but we would like it to be used only where it has proven to be the best way to achieve a national objective.

Even where it is determined that MSP should be used, open-ended procurement is never the answer. Today, around Rs 2 lakh crore is locked up in stocks that exceed the buffer norms — norms which are, in any case, too high. We don't need 100 million tonnes of foodgrain sitting around, rotting in the rain and being eaten by rats. Since our prices are not competitive globally, we can't even export these mountains of foodgrain.

Second, if an objective of MSP is to help the poor, we can now effectively use the most direct way: for less than the amount spent on MSP, we can lift mil-



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