

After farm laws repeal, farmer unions want legal guarantee for MSP. Should the govt give in?

TIMESOFINDIA.COM / Nov 26, 2021, 07:30 IST



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

FOR: Avik Saha

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 legally guaranteed incomes to compute it twice every year. India's food independence and security against hunger are 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 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 must 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 turn to be tricked comes. Not making a law to enforce MSP is divisive. It turns one 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 America 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.

Saha is a lawyer and national president, Jai Kisan Andolan

Legislation will only create a black market and encourage corruption

AGAINST: Anil Ghanwat

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 millions 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 occasions, 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 deployed 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, vahaan 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 neither 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.

Ghanwat is senior leader, Shetkari Sanghatana and member of the SC-appointed committee on farm laws