

MSP for the Future - A Note for the webinar

Context

Agriculture in India has a lot of uncertainties with many uncontrollable variables which makes it risky for producers. The challenge for policymakers is that on one hand we have a distressed farming community that rightfully demands a dignified and financially viable life and on the other, we have a large population whose nutritional needs have to be met through affordable and accessible food. Further, we have to do so while being responsive to a worsening water crisis, and being adaptive to changes in rainfall and temperature fluctuations due to climate change.

Across the globe, governments support farmers because of concern for food security. The support is provided through various mechanisms - cash transfers, input subsidies, insurance and price support. In India, agriculture is supported across all the four ways mentioned above. Some examples include cash transfers through Pradhan Mantri Kisan Sammann Nidhi, input subsidies for fertilizers, electricity etc. and Pradhan Mantri Fasal Bima Yojana (PMFBY) for crop insurance.

As a price support mechanism, there is the Minimum Support Price (MSP) that is declared for 24 crops and a public procurement system that backs it. It was established in the era of food insecurity to incentivize and de-risk farmers to produce crops for food security of the country. GOI procures about 30% of all wheat and rice produced in the country (for market and subsistence) and about 6-7% of other commodities. Wheat and rice procurement has increased over the decades; in the 1970s, GOI used to procure only about 10% of grain output, but now it is around 30%. The MSP declaration only has an impact on the markets when there is procurement in the region.

While the system has worked in some ways, there is a recognition that its design and implementation is skewed across regions and crops. A large portion of the total paddy-wheat procured for the central pool comes just from Punjab and Haryana. Even within these states, procurement takes place only in a small number of districts. There are also concerns about increased nutritional gaps and environmental degradation.

In the case of oilseeds and pulses, which are grown in dryland regions, the quantity procured as a percentage of the marketed surplus is usually negligible. Producers of high value crops like horticulture, poultry and other perishables have done without MSP.

There are other price support mechanisms that do not involve procurement such as Price Deficiency Payment launched by the Madhya Pradesh government or the crop insurance mechanisms that protect against price risks that have evolved in the USA. Regulating imports and exports are other ways in which the government influences the prices of commodities. The current farmer protests seek legal assurance about farmers receiving MSP for their produce.

There is consensus that the MSP must evolve to serve the current and future needs of farmers, consumers and the environment. The GOI too has now committed to continuing price support through MSP. Designing a forward-looking mechanism needs to address challenges of farmer incomes, production variability, exclusion in procurement, fiscal burden, state capacity,

international commodity markets, environmental degradation, nutrition requirements and food security.

This isn't just a technical challenge but it also needs to consider the politics of food - food inflation, changing dynamics of centre-state relationship, emerging role of big businesses and subsequent transitional pain of changing policies. For these reasons and more, the future of the MSP is a classic wicked problem¹ that requires people who hold different viewpoints to go beyond debating. And engage in a deeper, respectful exercise of understanding each other to co-create ways forward.

[Bharat Krishak Samaj](#) and [Socratus Foundation for Collective Wisdom](#) are convening a select group of influential stakeholders for the 3rd online discussion on 'MSP for the Future' to present their views and listen to each other. It will be held on **June 5th, 2021** from **16:00- 18:00 IST**.

Boundary Conditions:

No matter how well-designed, MSP alone will not address all the challenges facing our Food Systems and will need to work in conjunction with other forms of support. For the purpose of a focused discussion, we will exclude distribution and other forms of support like income support, input subsidies etc.

List of experts consulted for the background note:

We have consulted the following experts on the issue of MSP in preparation for the Wicked Sprint and this note. Names are in alphabetical order:

1. Ms. Anne Effland & Ms. Callie McAdams, Sr. Economist, US Dept. of Agriculture (USDA)
2. Mr. Harish Damodaran, Editor, The Indian Express
3. Dr. Mekhala Krishnamurthy, Senior Fellow, CPR; Associate Professor, Ashoka University
4. Prof. Ramesh Chand, Member, Niti Ayog
5. Dr. Shenggen Fan, former Director General, IFPRI
6. Dr. Shoumitro Chatterjee, Asst. Professor of Economics, The Pennsylvania State University
7. Mr. Subhash Garg, IAS, Former Finance Secretary of India
8. Dr. Sudha Narayanan, Research Fellow, IFPRI
9. Mr. Sunil Kumar Singh, Addl. MD, NAFED
10. Mr. T. Nanda Kumar, ex-Chairman, National Dairy Development Board, Retd. IAS

We are grateful to them for giving us their time and we will be speaking to more experts in the coming weeks.

¹ A wicked problem is a problem where there is no single solution to the problem; and due to complex interdependencies, the effort to solve one aspect may reveal or create other problems.

Annexure 1: Upcoming Wicked Sprint on “MSP for the Future”

This discussion will lead up to the Wicked Sprint on “MSP for the Future”. It is an intensive four-day workshop held in person where diverse set of stakeholders and experts learn, discuss and collaborate with each other to co-create pathways forward. The Wicked Sprint will be held when the conditions are favorable.

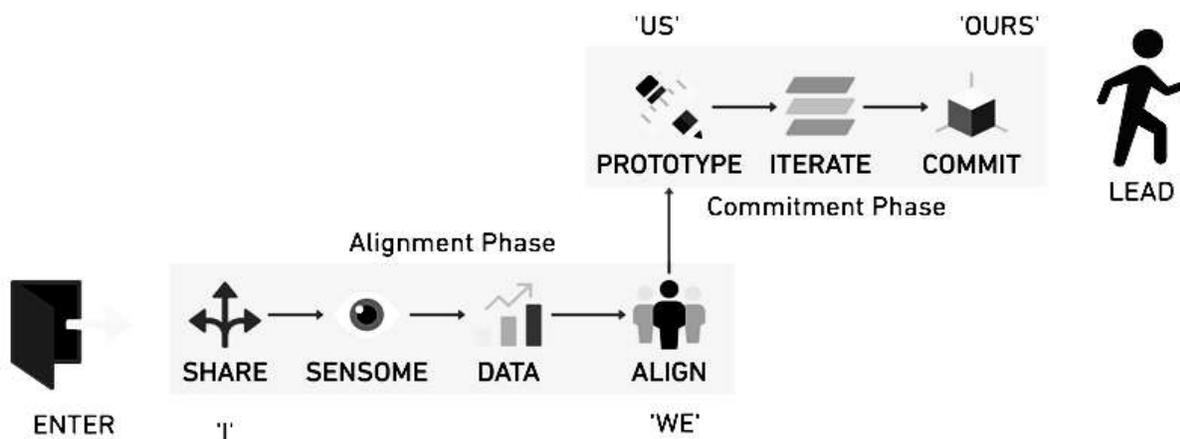
There are many interconnected paths to achieve resilient and equitable food systems and MSP is likely to remain one of them. The Wicked Sprint will take a systems approach to conceive the institutional architecture of a future MSP that addresses the goals & challenges described above.

We will start by taking stock on the current system's objectives and performance (and unintended consequences). We propose focusing on the following questions:

- What is procured and how?
- How are prices determined?
- How are benefits distributed?

We will then discuss the evolving objectives to collectively align on the future goals of MSP. The discussions will go beyond the crops in the current MSP system. Thereafter we will conceive and design policy and implementation options that are mindful of the challenges.

The Wicked Sprint Method:



The process of the wicked sprint is geared to start with individual perspectives and then to use data and cognitive science to create alignment, i.e., to go from “I” to “We”. Once that alignment is achieved and people understand where the others in the room are coming from, we use data and design tools to arrive at pathways for future action that are jointly held by clusters of people, i.e., they consider those pathways to be “Ours”. Taking that visceral belief in ‘our’ pathway into a commitment for future action is the last stage of the sprint with the intent that every person in the room will make a commitment for what they will do when they leave the sprint.