Report on 2020-21 Kharif Marketing Season: CACP

Why in News

The **Commission for Agricultural Costs and Prices** (CACP) has released the latest report for the 2020-21 kharif marketing season.

Key Points

Present Scenario

- **Overflowing Stocks of Foodgrains:** The central pool had 73.85 million tonnes of food grains on 2nd April, 2020. This is not only the highest-ever stock available but also over 300% of the strategic and operation reserve norm of 21.04 million tonnes. This year's kharif crop production is also estimated to be record-high.
- **Failure of Open Market Sale Scheme (OMSS):** The Union government had decided in April 2019 to sell wheat and rice in the open market via e- auction

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through OMSS. It aimed to divert extra stock. But the government could just sell one-fifth of the target of a five-million tonne sale.

- **Increase in food business registration:** There has been a 65% year-on- year jump in registration applications for new food businesses, indicating that **private players are eager to invest in agri business** and the rural economy as a result of the reforms by **Agricultural ordinances.**

- **Traders moving out-of Mandi:** As there would be no fees on buying outside the Mandi (unlike before the agri ordinances), many of the traders would prefer to buy outside. In June to August, there was a 20-40% drop in sale volume of non-perishables within the mandis. This will **adversely impact the farmers.**

- **Increase in MSP for Rabi Crops:** Recently, the **Cabinet Committee on Economic Affairs** marginally **increased the Minimum Support Price (MSP)** of six rabi crops for 2021-22. This is in line with the principle of fixing the MSPs at a level of

at least 1.5 times of the **All-India weighted average Cost of Production** as announced in Union Budget 2018-19.

Challenges:

- **Unavailability of Physical Space for Storage:** This can cause food grains to perish.
- **Reduction in Demand due to More Supply:** Release of high buffer stock in the market, would lead to a collapse in prices. This, in turn, will lead to farmers again losing on fair price for their bumper harvest.
- **Farmer's protest:** Recently, there have been strong **protests from farmers**, especially from the states of Punjab and Haryana, against three farm bills passed in the parliament. This has posed a challenge in front of the government to assure farmers of routine procurements and fair prices.

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Recommendations of CACP Report:

Excess Stocks need to be urgently liquidated:

- This will help ease storage capacity constraints and save large carrying costs of excessive stocks.
- Excess rice stocks should be liquidated through increased allocation under the **National Food Security Act** and Other Welfare Schemes. The government should divert old stocks for ethanol production and cattle feed purposes

Review open ended procurement policy (OEPP)

- The central government should **review OEPP for rice and wheat.** Major policy changes should be introduced in pricing, procurement and use of other crops like oilseeds, pulses, maize nutri-cereals to encourage farmers to shift to these crops,which have great potential for **crop diversification.**

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More procurement from state like UP and Bihar

- **Strengthen procurement from states like Bihar, Uttar Pradesh and Rajasthan** and **restrict procurement from states** like Punjab and Haryana where substantial groundwater depletion has occurred and other states that give bonus.
- In all those states that impose high fees and incidental charges and pay bonus, procurement of rice and wheat should be restricted.
- The state governments should discontinue the bonus above the minimum support price (MSP) **as it distorts the market and discourages private sale.**
- More than 95% of paddy farmers in Punjab are covered under the government procurement system while it is 70% in case of Haryana. In case of other major paddy producing states like Uttar Pradesh and Bihar, it is 3.6% and 1.7% respectively.

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Reserve price for Market Sale of pulses and oilseed

- The government should not sell these stocks in the open market below the MSP, particularly during the procurement season as it depresses market prices and discourages the private sector to procure directly from farmers.

Way Forward

Given the forecast for food grains like paddy, the prices would be subdued due to large stocks and also less demand globally. If the government decides to flood the market with its excessive stock, it would lead to more supply, thus reducing the price. In such a scenario, implementing the bold recommendations of CACP may help in dealing with the stocks.

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