

A study of performance of the Bhavantar Bhugtan Yojna Experiment in the welfare of Farmers of MP

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Abstract - Agriculture holds an inevitable position in the sectoral economics and serves as a pillar of economic growth and development in India. The Government policymaking had always been inclined to uplift the farmers and had an agenda of doubling the farmer's income by 2020, which is yet to be achieved. To narrow the gap between the MSP and the actual price received and to eliminate the excess budgetary burden on the part of the government, it introduced a Price Deficiency Payment Scheme, Bhavantar Bhugtan Yojna in 2017 as a pilot project in MP. This study is focused on assessing the extent of the success of this scheme and to put forward the suggestions to rectify the shortcomings. The study focused on the effect of the scheme in price and the volume of production in Krishi Upaj Mandis of MP. The study revealed that the APMC and Mandi traders formed cartel and manipulated the prices of the grains in their interest which caused a massive dip in the auction price. The delayed and irregular payment of the compensation also enraged the farmers. The scheme failed to deliver what it was intended for and compromised with the interests of the farmers. The Scheme has a potential to provide price assurance to the farmers and can be re-implemented with certain amendments and policy restrictions and then it will be able to favor the farmers' interests.

Index Terms - APMC, Agriculture, Agriculture Procurement.

INTRODUCTION

The Farmers across the country are faced with the problem of the frequent ups and downs in the prices of their produce. The Central Minimum Support Price assured the farmers of a fixed and above subsistence price for their produce, but it tends to be a more partial scheme as not all farmers are benefitted from MSP and also grains procurement at MSP followed by its transportation, storage and distribution tends to create a huge budgetary burden on the Government. The commission for Agricultural Costs and Prices (CACP) has suggested a price deficiency scheme for farmers,

giving them the option of storing their Produce during times of distress and getting the benefit in case price continue to remain below Minimum Support Prices (MSP).

Designed to protect farmers against falling prices of crops in the aftermath of the farmers agitation that rocked MP in 2016, the Bhavantar Bhugtan Yojana is India's first large scale experiment with deficiency price payment in agriculture. Though it has had its problems and tend to have failed steeply, many farmers continue to repose faith in the scheme.

The Bhavantar Bhugtan Yojna (BBY) was launched on 16th October 2017 in Madhya Pradesh to compensate farmers in the event of a price crash and to the extent hedge the price risk faced by them. The scheme was initially extended to eight crops: Maize, Urad, Moong, Soyabean, Groundnut, Tur, Sesamum and Niger seed, where Government procurement is typically low unlike Wheat and Rice. Under this scheme farmers who are registered they are compensated only if their selling price SP is lower than the government set Minimum Support Price (MSP). Farmers will have to register their crops at village level cooperative societies along with their Aadhar and bank account numbers. They were eligible only if they sell their produce during a particular window in the Mandi where they had registered themselves.

Modal Price is a marker of average market price within the state and markets outside the state where the commodity is traded. The actual amount of compensation or deficiency payment made to a farmer is determined by a modal price. When a farmer's selling price is lower than MSP but higher than the modal price then the difference between the MSP and the actual price is paid to the farmers and if the selling price is lower than both the MSP and the Modal Price, the pay-out is capped at the difference between MSP and Modal Price. Farmers will have to register their crops at village level cooperative societies along with

their Aadhar and bank account numbers. They were eligible only if they sell their produce during a particular window in the Mandi where they had registered themselves. The actual difference in the selling price and the Modal price rate was deposited directly in their bank accounts.

The total registration for Kharif 2017 under BBY was close to 25% of the total operational holdings in the state and about a third of the Kharif area was covered by BBY. For Soyabean, which is the main kharif crop of Madhya Pradesh, close to 50% of the area of the crop was covered under the scheme. Even when the prices decline it also happens simultaneously in neighbouring states such as Chhattisgarh and Uttar Pradesh and is not restricted to MP alone. Also, International prices of Soyabean, both in 2016 and 2017 were lower than the prices in Madhya Pradesh during most of the period.

MATERIALS AND METHODS

The study is based on secondary data. Data on price and arrival of Soyabean were collected from prominent soyabean procuring Krishi Upaj Mandis of Indore, Ujjain and Dewas, Food and Civil supplies Department and other sources like Bhavantar BhugtanYojna portal. Central Price Deficit Financing Scheme was launched in Madhya Pradesh as a Pilot scheme in Kharif 2017, therefore this state was purposely selected. Out of 246 main wholesale markets in Madhya Pradesh, Krishi Upaj Mandis of Indore and Ujjain have shown a fluctuating trend of Soyabean production which can be attributed to this scheme. The period of data was the duration of the pre and post period of the implementation of the scheme ie; from October 2016 to October 2019.

RESULTS AND DISCUSSION

Under the Bhavantar BhugtanYojna, the state government assured the compensation to the registered farmers in the event of the price failure of the produce where the prices fall below the Minimum Support Price. Initially the government decided the amount of the compensation to be the difference between the MSP and the actual sale price of the produce in the APMCs. Later in the mid procurement period of November 2017 the government amended the scheme and then decided that the Modal price will

be considered for arriving at the compensation amount.

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Though the scheme was intended to provide cushion for the farmers against the fluctuating prices of their produce, the traders used the scheme as an opportunity to buy the produce at lower prices. As the Scheme functioned at a very stipulated and narrow window of 76 to 80 days, even lesser at times, the registered farmers rushed with their produce to the mandis resulting in the surplus piling of the grains at the centres during this period. The traders took this situation to their advantage and reduced their auction price by Rs.200-Rs.300 Per quintal in October and the prices had fallen further post mid-November. The traders justified this fall by stating the surplus supply of the grains. However, the surplus was the result of the narrow time window of the scheme and not because of the surplus production.

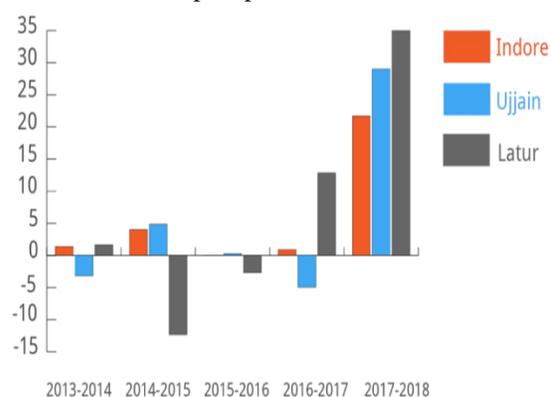


Fig.1 Percentage difference in the prices of Soybean on December 01 and January 31 over 5 years. Soc. agmark.net

As seen in the figures of the variation in the prices of the Soybean in the month of December to the next month of January in the two major mandis of MP over

the span of five years can be observed. While the fluctuation was confined to 2 to 5 percent in the years ranging from 2013 to 2017, the same variation raised manifold in the year 2017-18. With the advent of the closing of the procurement window, by end December and early January, the prices began to rise and at the end of January 2018 the prices shot up to about 22% of the average estimated price. This uncertain, largely manipulative, fluctuation benefitted the traders and put the farmers in jeopardy.

The farmers were relieved that the scheme will compensate the loss and they will get the equivalent of the MSP for their produce. But the decision of the government to introduce the Modal pricing in the scheme further deteriorated the Farmers' position because the price fall was much lower than both the MSP and the Modal Price. Also the Compensation payment to the registered farmers was delayed due to which they lacked sufficient resources for the subsequent rabi season. This way the only ones to be benefitting from the scheme were the traders who formed a cartel and manipulated the market pricing in their favour.

ANALYSIS

The scheme was intended to back the farmers against the price uncertainty and to provide them with the assurance of compensation in case the price drops below the MSP. Also, the difference is directly credited into farmer's banks account. The financial burden on the government will also be less as it had to pay only the difference and not the entire MSP. But the Farmers seemed to be unhappy with the scheme due to delay in the payment by government which has substantial effect on the small farmers as they depend on the current crop payment to meet their day-to-day needs. Besides this the primary purpose of providing at least MSP to the farmers was defeated. This is because the traders started colluding to bring and artificial slump in the prices. Thus, the farmers are effectively getting rate lower than the MSP. It implies that the farmers whose produce had the potential to be sold at MSP or more are purposely put into a position where their produce is auctioned for a much lower price. This is, further, burdening the Government to compensate the farmers, which otherwise could be avoided.

CONCLUSION

The BhavantarBhugtanYojna had a huge potential to perform in the interests of the farmers and safeguarding them against the price uncertainties by rewarding them with what they deserve for their efforts. However, the scheme failed to benefit the farmers and rather led to their exploitation by the traders. But with certain rectifications the scheme can perform to serve its purpose. The procurement duration should be widened and made year-round so that the arrival of produce to the mandis can be spaced out. The auction system needs to be improved so that the chances of collusion can be eliminated. The use of technology should be encouraged to make the procurement process and compensation process more transparent. With these rectifications the scheme can be welcomed back and could serve its purpose well.

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