

CONSORTIUM OF INDIAN FARMERS ASSOCIATIONS (CIFA)

Secretary General

P. Chengal Reddy



President

Satnam Singh Behru

To,
Dr. Manmohan Singh,
Hon. Prime Minister,
Govt. of India
New Delhi

12th December, 2011

Sub: Rectification of the unscientific and faulty methodology in the fixation of the Minimum Support Price (MSP) by the CACP-Reg.

Respected Sir,

The farmers of India produced a record output of food grains of 248.6 million tons last year, but at the same time they also suffered losses due to distress sales much below the MSP.

Farmers through out India are demanding a higher MSP as all the input costs have increased significantly. The very low output of labour in NREGA works has significantly added to the labour costs in agricultural operations also. This has resulted in increased mandays causing higher cost of cultivation.

The Commission for Agriculture Costs and Prices (CACP) is recommending the MSP for 25 crops based on the data submitted to them by the Directorate of Economics and Statistics (DES) of the Department of Agriculture, GOI.

The Terms of Reference for fixing the MSP take into account 12 factors out of which 8 are anti-farmer. They are

1. Trends in Market Prices
2. Demand and Supply
3. Effect on Industrial Cost Structure
4. Effect on Cost of living
5. Effect on general price level
6. Effect on Issue Prices and Implications on Subsidy
7. International price situation
8. Inter Crop price parity

The factors that are in favor of the farmer are

1. Cost of production
2. Change in Input price
3. Input-Output Price parity
4. Parity between prices paid and received by the farmers

"Food security first - Farmers welfare must"

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The DES is giving two separate sets of data, one for the fixation of the MSP by the CACP and another for area, production and yeild data used by the GOI. The Area, Production and Yeild (APY) data is used for all official purposes to calculate the GDP, and all other economic indicators by the Planning commission and other global institutions like the FAO.

For every product the cost of production is the main criteria for fixing the MSP of the Product. But the CACP is not considering the cost of production.

The CACP is taking cost of cultivation, yeild data from only 5800 centers for getting the Cost of production for fixing the MSP. It is not considering the official APY data that has been collected from 8,87,944 samples through out India by the DES.

Year	Yeild(Rice kgs/ha)		Excess over DES
	CACP	DES	
2006-07	2357	2131	10.60%
2007-08	2521	2202	14.28%
2008-09	2440	2178	12.02%

If we consider the yeild of the DES, farmers in 12 out of 16 paddy growing states are suffering losses by cultivating paddy.

Factors adopted by the CACP causing losses to the farmer

1. 3 year old input costs, prices and yeild data being used to fix the MSP
2. 15% more yeild being taken than the APY data of the DES resulting in reduced cost of production
3. Not considering Inflation
4. Not considering increased input costs
5. Very low Rental value being taken into account (which is only 25-30% of the total output)
6. Not factoring increased cost of living for farmers
7. Not considering minimum income for farmer's family survival
8. Not considering losses due to natural calamities
9. Taking weighted average of the output of all states
10. Import – Export policy that is causing losses due to globalization

When inflation is calculated every week on the basis of price index, how justified is it to use data that is 3 years old for fixation of MSP?

By considering 3 years old data and not considering inflation, the farmer is losing 35% and an additional 15% due to taking the higher yeild. The total

loss is 50% due to underpricing of the MSP.

On the basis of data of 2005-06, the CACP has recommended Rs.1000 – 1050/qtl of paddy, but the govt. has fixed Rs.850 – 880/qtl + Rs.50 as bonus. For 2009-10 the CACP recommended Rs.1000 – 1030/qtl, for 2010-11 they recommended the same price. For this year they have recommended Rs.1080 – 1110/qtl and an additional Rs.80 as bonus. But the GOI has not given the bonus of Rs.80. This MSP will prevail upto October 2012. After announcing the MSP, fertilizer prices have increased by more than 100%.

The Indian farmers are losing about Rs.2,40,000 crores every year due to the faulty fixation of the MSP and distress sales due to faulty procurement and import export policies.

The principal reasons for these distress sales are:

1. Stocks of food grains at 115% above the Buffer norms
2. Supply of subsidized food grains to APL families (170 lakh tons) and Open Market Sales Scheme (25 lakh tons)
3. Not permitting timely exports
4. Insufficient Godown capacity

One of the main reasons for high persistent inflation is the faulty implementation of NREGA. The output by a worker has drastically reduced to 30% in NREGA works. Using a new Rural Schedule of Rates instead of the Standard Schedule of Rates has drastically reduced the output. Wages that used to be paid for 8 hours are now being paid only for 1.5 – 2 hours due to the turnout being decreased.

In AP, NREGA wages started from Rs.80/day and increased to Rs.100 and then to Rs.121 plus an additional 30% summer allowance. But the govt. has increased the wage only by decreasing the turnout of the worker. So now he has to work only 1 hour. The GOI has to categorically give a direction to the state govt.s not to reduce the turnout and if they want to increase wages they have to give the increased wage and not reduce the turnout.

As every worker is comparing the work load (1-2 hours) in NREGA to everything, inflation has increased drastically. For eg a vegetable or fruit vendor, artisans, loading and unloading organized workers who work for 8-10 hours are expecting a minimum of Rs.400-500/day. Even though the purchase cost is very low, they are adding huge margins for reaching their target causing significantly higher prices for the consumers.

Due to above factors and huge labor shortage and increased cost of cultivation, it has become more imperative to speed up mechanization in farming through out the country. A special package for mechanization in agriculture should be taken up immediately by removing all duties, taxes and giving subsidies to farmers to buy machinery. As there are more than Rs.10,000 crores unspent in allocations to agriculture in the 11th plan, that money can be used to give subsidies to promote mechanization.

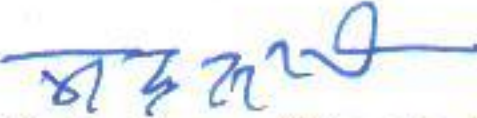
The Swaminathan commission has recommended for changing methodology and terms of reference of the CACP. Due to the unscientific methodology and anti farmer policies, the farmers are suffering heavy losses that have led them into heavy debt causing farmer suicides.

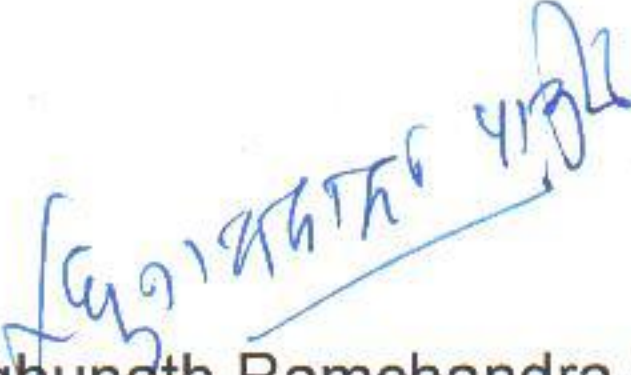
The govt. is providing security to all sections of society except farmers. The Minimum Wages Act, Right to Work, Right to Food, increased salaries and allowances for employees based on price index, subsidies for industries, etc are benefiting all these sections except the farming community.


Globalization and liberalization have not benefited the farmers, but only the traders. As the architect of the reforms that have benefited many people except the farmers, we hope you will implement the recommendations of the National Commission on Farmers and Bhupendra Singh Hooda report and usher in fundamental changes that will benefit the farming community and revive agriculture in the country.


Looking forward for your immediate action on the above representation.


Yours Sincerely

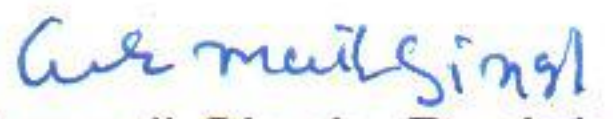

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