



Significant increase in MSP for oilseeds

sanskritias.com/current-affairs/significant-increase-in-msp-for-oilseeds



(Mains GS 3 : Issues related to direct and indirect farm subsidies and minimum support prices)

Context:

- The Union government recently announced higher Minimum Support Price (MSP) for rabi crops to boost their production.
- Notably, crops such as oilseeds and pulses have witnessed a higher percentage rise in their MSP when compared to major crops such as wheat.

Towards ending imports:

- The prices of edible oils such as palm oil, sunflower oil, mustard oil etc. have increased by well over 50% in the last one year.
- This price rise has been attributed mainly to labour shortages and crop failures in major edible oil-producing nations such as Indonesia, Malaysia, Argentina, and Ukraine.
- Thus, the government hopes to cut down India's dependence on foreign oil imports by boosting domestic production, and protect Indian consumers from price shocks due to global factors.
- At the moment, over 60% of India's edible oil needs are met through imports.

Boost domestic production:

- In order to boost domestic production, the MSP for rapeseed and mustard seed has been increased by as much as 8% in contrast to a mere 2% increase in the MSP for a major crop like wheat.
- It is also worth noting that the Centre had last month announced the National Edible Oil mission worth ₹11,040 crore to encourage the domestic production of palm oil.
- Palm oil is a major ingredient in the food industry and represents a significant share of India's overall imports.

Immediate benefits:

- The greater percentage increase in the support prices for oil seeds when compared to that of other crops could increase the amount of land and other resources used to cultivate oil seeds.
- But it is unlikely to offer immediate benefits in terms of higher domestic production of oil seeds and lower edible oil prices for consumers.
- According to farmers it takes at least four years for certain freshly sown oil crops such as the palm oil crop to yield increased output.
- However, if these measures can help improve oilseed supply in the long run, they can indeed benefit consumers.

Implementation is the key:

- There could also be other crucial factors that might play a role in the success of the Centre's plan to boost oil production.
- However, the price that farmers get paid for their crops is often well below the MSP.
- So the actual implementation of the MSP programme will be the key.
- Further, the cost of producing oil seeds may vary significantly from that of other crops, so production will depend not just on the MSP but on the expected returns from different crops.

Boosting oil seed production:

- A higher support price for any crop can potentially increase its production as it offers farmers more financial incentive to cultivate it.
- However, many believe that the price and supply of edible oils is adversely affected by factors beyond just the lack of sufficient domestic supply.
- Import taxes are considered a major culprit behind the high edible oil prices.
- Oils such as soya bean oil and sunflower oil are taxed at around 30% today while their refined varieties are taxed at around 40% even after the Centre slashed import taxes last week.

- So the increase in the support price for oil seeds and the National Edible Oil Mission are seen more as efforts to encourage domestic production under the Atma Nirbhar plan to attain self-sufficiency.

Conclusion:

- It should be noted that there may be genuine economic reasons for edible oils to be produced predominantly in certain countries and not in others.
- Therefore, the mere volatility in the price of imported edible oils may not be a good enough reason to subsidise domestic production.