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Price deficit financing scheme- A review

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Abstract

The farmers at the receiving end do not get remunerative prices shadowed by the inefficient marketing and dominance of middlemen and traders. The government of Madhya Pradesh introduced price deficit financing scheme to propose a solution to the enlarging gap between the whole sale prices and minimum support prices of certain crops. Price Deficit Financing Scheme (Bhawantar Bhugtan Yojana) was implemented in Madhya Pradesh on a pilot basis since kharif 2017. This paper tries to review the scheme as well as assess its impact. According to this scheme, price deficit between the minimum support price and modal (wholesale) price is paid directly to the account of farmers. Notification of crops, registrations, calculation of modal price and deficit payment are the parts of the scheme. Thus, the scheme if implemented successfully can prove beneficial to both farmers and government.

Keywords: Price deficit financing scheme, bhawantar bhugtan yojana, market reforms, income support measures

1. Introduction

The year 2017 witnessed record production of 273 M tonnes of food grains and 300.5 M tonnes of fruits and vegetables. On the same hand the year 2017 witnessed agitations among farmers in mandis of Madhya Pradesh, Haryana, and Maharashtra for reduced remunerative prices of farm produce. The reason being huge amount of supply in the market leading to glut situation thus making the prices fall abruptly. These situations lead us to a conclusion that a multipronged approach is to be devised in order to balance the bumper production and remunerative prices received. Agriculture is an enterprise and it needs to be managed the same way.

Procurement of food grains by government is a very effective market intervention tool in stabilising the price. At present government of India declares Minimum Support Price for 26 crops and procures the same. Data reveals that majorly procurement of wheat and rice takes place at ground level as it is distributed in public Distribution System. Farmers growing other crops fail to fetch the minimum Support Price, thus lowering the returns from the produce and ultimately their income. Procurement is not possible for all of the crops, thus a solution to save the farmers when prices go down below MSP was conceptualized. The agitation in Mandasaur district of Madhya Pradesh lead to announcement of a scheme “price deficit financing scheme” in august 2017. In this scheme, the price difference between the MSP and the modal (wholesale) price will be transferred to the farmers’ account. The scheme has been launched as a pilot project in districts of Madhya Pradesh for kharif 2017. And is now being scaled up at national level under PM-ASHA Yojana. Thus, this raises a question to study the newly implemented scheme and its impact. This study focuses on reviewing the “Bhawantar Bhugtan Yojana”.

2. Materials and Methods

2.1 Nature of data- secondary data collected from various sources was considered. The Price Deficit Financing Scheme was introduced as a pilot scheme in Madhya Pradesh in kharif 2017, therefore this state was purposively selected.

3. Results and findings

3.1 Implementation of the scheme

Price deficit financing scheme also known as “Bhawantar Bhugtan Yojana” is a scheme which was started as on a pilot mode in kharif 2017. In this scheme the difference between the minimum support price and modal (wholesale) price is calculated and deposited in farmers account.

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This scheme is latest initiative for stabilizing the prices received by the farmers for crops which are not procured by the government.

The price deficit financing scheme has been introduced as a pilot scheme for kharif 2017. The registration of farmers done under Bhawantar Bhugtan Yojana portal. Initially 3000 primary agriculture cooperative institutions which purchase rice /wheat were registered. During registration Aadhar card number, information of bank account and mobile number have been made compulsory. The scheme was implemented with objectives to ensure that farmers receive minimum support price of their produce, to protect farmers against dropping of prices in mandi, to promote production of pulses

and oilseed crops and to protect against disposal of produce procured at minimum support prices. Following terms and conditions are imposed:

3.2 Beneficiary should be

1. Resident farmers of Madhya Pradesh.
2. Crop listed by state government.
3. Farmers registered under “Bhawantar Bhugtan Yojana portal”.
4. Selling produce within premises of notified Krishi Upaj Mandi committee.
5. Crop is sold within the period of announcement.
6. Deficit is given to average yield decided for the district.

Table 1: Crops included in scheme

S. No	Crop	Marketing Period	Two states decided for deciding model rate
Oilseed crops			
1	Soybean	16 October to 15 December	Maharashtra, Rajasthan
2	Groundnut	16 October to 15 December	Gujarat, Rajasthan
3	Sesamum	16 October to 15 December	Odisha, Chhattisgarh
4	Ramtil	16 October to 15 December	West Bengal, Rajasthan
Pulses			
5	Green gram	16 October to 15 December	Rajasthan, Maharashtra
6	Urad	16 October to 15 December	Rajasthan, Uttar Pradesh
7	Tuar	1 February to 30 April	Maharashtra, Gujarat
Cereal crop			
8	Maize	16 October to 15 December	Karnataka, Maharashtra

Note- Sesamum and Ramtil were not given any price deficit because the modal prices were higher than the minimum support price announced.

3.3 Procedure

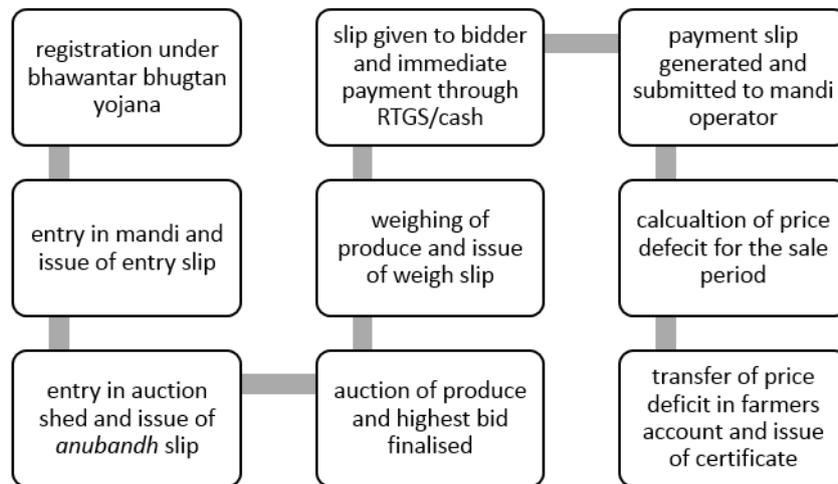


Fig 1: Process of availing the price deficit financing scheme

3.4 Registration

1. A portal has been made in collaboration with e-uparjan.
2. Initially registrations started from 11 September to 15 October 2017, free of cost.
3. A farmer has to provide information of land along with Aadhar number, bank account details, and mobile number.
4. After registration farmer will be provided a unique ID (registration number).

3.5 Estimation of Modal Rate

- The modal price for the given time period the average of prices of modal mandi of Madhya Pradesh and two other states giving 1/3 weightage to each.

- The modal rate is declared after the end of the selling period and uploaded on the Bhawantar Bhugtan Yojana portal.
- The average yield is decided from state revenue department based on previous year’s district wise crop cutting experiments average yield and productivity.

3.6 Calculation of Modal Sale Price

- If the sale price is equal to or more than MSP = NO benefit of the scheme.
- If the sale price is less than MSP but more than modal price = the difference between the actual sale price of farmer and MSP is paid.
- If sale price is less than modal price = the difference

between the MSP and modal sale price is paid.

3.7 Facilities in Mandi

- Issue of *anubandh parchi*, weigh slip and payment slip and entry of farmer after auction.
- The collected information is uploaded by the mandi committee on Bhawantar Bhugtan portal.
- The daily updates are uploaded on AGMARKNET portal.
- Only farmers registered under Bhawantar Bhugtan Yojana are eligible for benefit.

3.8 Storage in licensed godowns

- To avoid the distress selling of the produce, farmers are promoted to store their produce in licensed godowns under this scheme.
- Under the period of Bhawantar Bhugtan Yojana soybean, groundnut, sesame, niger seed (ramtil), maize, greengram

(moong) and black gram (urad) can be stored from 1 January 2018 to 30 April 2018 and red gram from 1 May 2018 to 30 August 2018 i.e. up to 4 months in a licensed godowns. For this the farmer will be paid 7 rupees per quintal per month or the actual amount paid whichever is less will be deposited in farmers account.

- This will be applicable only when the sale price is less than MSP.
- After 4 months the farmer is provided the sales receipt. If the sale price is less than MSP, then the storage cost is transferred to the farmers account.

3.9 Method of payment

The difference between the minimum support price and modal rate will be the price deficit and deposited in farmers account as applicable according to the calculation of deficit. A committee is composed to look over the payment.

Table 2: Modal rates and price deficit paid

Crop	MSP			Modal price Rs per quintal					
	MSP	Bonus	MSP+Bonus	16 to 31 October	Price deficit	1 to 30 November	Price deficit	1 to 31 December	Price deficit
Soybean	2850	200	3050	2580	470	2640	410	2830	220
Urad	5200	200	5400	3000	2400	3070	2330	3300	2100
Maize	1425		1425	1190	235	1110	315	1130	295
Groundnut	4250	200	4450	-	-	3570	880	3610	840
Green gram	5375	200	5575	4120	1455	4120	1455	4530	1045

Source: APMC Jabalpur, M.P.

The above table shows the modal price of each month for each crop covered under the scheme. The price deficit paid is mentioned for each month. For groundnut in month of October no purchasing was done, so modal rate and price deficit are not reported. It is to be noted that sesamum and niger seed were initially included in the scheme, but they were not subjected to avail the benefit of the scheme because their mandi prices were higher than minimum support prices. The amount is deposited to the account of farmer through Direct Benefit Transfer.

4. Discussion

Income support measures by government are necessary to ensure remunerative price to farmers. 2017 witnessed introduction of Price Deficit Financing Scheme in Madhya Pradesh and Direct Income Support. Price Deficit Financing Scheme seems to be a financially friendly scheme as only deficit is to be paid. And, it doesn't involve physical procurement at minimum support price thus saving from infrastructure requirement, manpower and huge budget allocation. The implementation of the scheme was done to ensure remunerative prices to the farmers but the majority of farmers received prices lower than the minimum support price. In kharif deficit was paid to six crops- green gram, black gram, red gram, maize, groundnut and soybean. The deficit paid for each month as per the modal rates calculations. The scheme ensures that farmers receive Minimum Support Price for the notified crop.

5. Conclusion

Price Deficit Payment Scheme is an initiative by government of Madhya Pradesh to ensure at least Minimum support price for their produce. This scheme has been scaled up to national level under Pradhan Mantri-Annadata Aay Sanrakshan Yojana. (PM-AASHA). The scheme should be implemented

with due care learning lessons from Madhya Pradesh.

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