- Centre considers ways to give an assured market to farmers in case of price fall
- MP's price deficit scheme being considered for national roll-out
- Centre's draft report on doubling farmers' income also backs a market assurance system
- 2015 pilot project on price deficit scheme didn't give desired results

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The Centre is looking at ways to compensate farmers for a sudden drop in open market prices of commodities, including giving states freedom to purchase farm produce other than grains as and when required.

A national price deficit scheme, on the lines of a direct compensation scheme implemented in Madhya Pradesh recently, is also being considered. Sources said senior Madhya Pradesh officials were recently in the Capital to apprise the Centre about the scheme and its performance.

States might be allowed to cushion the blow on farmers via a proposed market assurance scheme. It allows states to purchase any commodity whose price has fallen below the minimum support price (MSP) without waiting for the Centre's approval. New Delhi will compensate up to 25-30 per cent of the loss on the value of the MSP and this can go up to 40 per cent for Northeastern states. A corpus would be created by states to cushion a price fall. The fund would be supplemented when a profit is made from the sale of the procured commodity.

"It would give states the flexibility and option to procure a commodity whose price falls below the MSP and dispose it off suitably without waiting for a nod from the Centre. This will remove delays in the procurement process," a senior official said.

As of now, the Centre implements a price support scheme for purchasing commodities whose prices fall below the MSP. But it is only implemented on request from states and is limited up to 25 per cent of production estimate. For commodities outside the MSP regime, the Centre implements the market intervention scheme, sharing the cost equally with states. It also operates a price stabilisation fund to help state governments in case of a fall or rise in prices.

But most of these schemes rely on the Centre's approval. Sometimes by the time the Centre gives an approval, the commodity market dynamics might have changed.

Madhya Pradesh's price deficit scheme — the second model which is being discussed — seeks to directly compensate farmers when the price of a notified crop falls below the MSP. But the compensation is capped at a predetermined modal price.