

BBY (*Bhavantar Bhugtan Yojana*)

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Last year, Madhya Pradesh witnessed violent protests when the crop prices tumbled to extremely low levels for the Rabi crops. Alarmed by the media coverage and negative publicity, the Madhya Pradesh government launched BBY (*Bhavantar Bhugtan Yojana*) scheme or the Price Deficiency Scheme keeping in mind that state will go to polls this year and any non-action will not make farmers-a significant vote share, happy. While the scheme was designed with good intention it suffers from serious deficiencies.



What the government aims to do through scheme is to give farmers a fair compensation. Farmers have to register on a government portal to be eligible for deficiency payment. Farmers then sell their produce at a time fixed by government and are paid the difference between the weighted average of modal prices in regulated *mandis* of Madhya Pradesh and neighboring states on the produce that is eligible for the deficiency payment where produce eligible for deficiency payment is determined by the government based on average productivity of the crop in the relevant district and area cultivated by the farmer. The difference is received by farmers in their bank accounts.

Government has tried to reduce its procurement from farmers by making use of this scheme given the problem it faces

in storing this procurement. Also Government has tried to signal to the farming community that it cares for them and will not leave them alone in the case of farm distress.

There have been mixed reviews of the scheme by the farmers. For farmers who have sold their produce in installments, the payment is not all at once. For farmers who need seeds for the next season and have some other pressing issues, this delay could be very painful and hence force them to borrow from other sources, which can be very costly.

Farmers are happy that they are getting something from government and that the government is serious towards their concern. One serious problem highlighted by many commentators is that traders in the *mandi* artificially lower the price of the produce because they know that the difference between the MSP announced and the modal will be covered by the government and they will not be shelling out anything for this. This can be clearly seen from the fact that soon after the scheme period expired prices in the *mandi* were above MSP as compared to the period when scheme was on when the prices were below the MSP amount by the government. This has led to wasteful expenditure by the government which could have been easily avoided had the scheme been designed properly. This is equivalent to collusion among traders in the *mandi* which has led to artificial lowering of the price. One more issue that needs to be addressed is that of farmers having to visit banks many times to get the promised payment as there is time lag in the information received and the disposition of payments due by the government. This can seriously harm the amount of sowing which will lead to lower produce and higher prices in future season

and have inflationary tendencies, a possibility which the government cannot afford to risk. Moreover there is serious bureaucratic discretion resulting in red tape and corruption. Farmers can bribe the government official regarding the area that is declared by him to be eligible for the deficiency payment.

While the intention of the government are well understood there is a need to have more nuanced and informed policy-making by the government.