

## Minimum Support Price

5.38 Minimum Support Price (MSP) is announced for selected kharif and rabi crops including rice, wheat, oilseeds etc., (see appendix 5.5). Procurement prices are announced by the Government after taking a view on the recommendations made by the Commission for Agricultural Costs and Prices. MSP of wheat & paddy are given in Table 5.12.

5.39 During the last two decades, the annual average inflation both at the retail and wholesale level has ranged between 7-10 per cent, though after 1992-93, the annual average inflation rate has tended to be lower. In contrast, the average annual rise in MSP of rice and wheat was much higher (10 per cent and above) in the post reform period as compared to 6.2 to 7.5 per cent rise before 1992-93. In fact, in the post reform period (1992-93-1999-00), the annual average increase in MSP has been higher than the annual average inflation. This is perhaps the main reason why the rate of procurement and accretion to public stocks of foodgrains has been unprecedentedly high over the last two years.

5.40 Whereas increases in MSP have led to higher procurement, the compulsion to move to a higher annual average increase in issue price during the nineties has led to poor offtake thus aggravating the problem of mounting food stocks much above the stipulated buffer stock norms.

	1980-81 to 1991-92	1992-93 to 1999-00
<b>Annual Average Inflation (%)</b>		
WPI	8.5	7.2
Primary articles	9.1	7.9
Fuel Group	9.8	10.0
Manufactured Pdt.	8.2	6.5
CPI(IW)	9.6	8.8
CPI(AL)	9.0	8.3
<b>Annual Average Increase in MSP (%)</b>		
Rice	7.5	10.0
Wheat	6.2	10.8
<b>Annual Average Increase in Issue Price (%)*</b>		
Rice	8.4	9.3
Wheat	7.4	12.0

\*from 1997 only APL issue price is included

**TABLE 5.12**  
**Minimum Support/ Procurement Price of Wheat and Paddy (Rs/ Quintal)**

Crop Year	Wheat		Paddy				
	MSP	% change	Common	% change	Fine	Super fine	Grade'A'
1991-92	275	11.1	230	12.2	240	250	-
1992-93	330	20.0	270	17.4	280	290	-
1993-94	350	6.1	310	14.8	330	350	-
1994-95	360	2.9	340	9.7	360	380	-
1995-96	380	5.6	360	5.9	375	395	-
1996-97	475	25.0	380	5.6	395	415	-
1997-98	510	7.4	415	9.2	-	-	455*
1998-99	550	7.8	440	6.0	-	-	470*
1999-00	580	5.6	490	11.4	-	-	520*
2000-01			510	4.1			540

For MSP of Other crops, see Appendix-5.5

\* Effective 1997-98, MSP is fixed for only two varieties of paddy, common and grade-A.