

Minimum support prices

5.53 Keeping in view the interests of the farmers as also the need for self-reliance, Government has been announcing minimum support prices (MSP) for 24 major crops, such as paddy, wheat, jawar, bajra, maize, ragi, pulses, oilseeds, copra, cotton, jute, sugarcane, and tobacco.

5.54 There were substantial increases in the MSPs of rice and wheat after the mid-nineties. MSP of wheat was increased by a whopping Rs 95 (including bonus) per quintal in 1996-97 and MSP of paddy was increased by Rs 35 per quintal in 1997-98. Increase of MSP of foodgrains by large magnitudes continued till 2000-01 (Table 5.20). Such increases resulted in a large gap between the cost of production (C2 costs) and the MSP of wheat and rice. There were a number of inter-related developments, such as prices of foodgrains in the primary grain markets remaining below MSP in many parts of the country, near elimination of private trade from the grain markets in the major producing and procuring States of Punjab and Haryana, and excessive burden on the FCI for procurement of foodgrains. With market prices below APL prices, there was a flight of APL families away

from the public distribution system (PDS) fold, and a substantial fall in the APL offtake of foodgrains. All these resulted in a build up of foodgrain stocks with the FCI to an unprecedented level of 64.7 million tonnes in June 2002, almost three times the buffer requirements. Escalating carrying costs combined with the disposal of the foodgrains at subsidized rates resulted in mounting food subsidy.

5.55 The economic compulsions of aligning MSP with the cost of production has weighed heavily in recent announcements of price policy of rabi and kharif crops. The increase in the MSP of foodgrains during 2002-03, 2003-04 and 2004-05 was rather moderate (Table 5.20). Keeping in view the hardships suffered by farmers in the drought year of 2002-03, a one-time special drought relief of Rs.20 per quintal was announced in the case of paddy. A one-time special drought relief of Rs.10 per quintal was also announced for wheat in 2002-03. The MSP for paddy and wheat for 2003-04 crop year was fixed by absorbing the special drought relief for rice and wheat in their respective MSPs. A marginal increase of Rs 10 per quintal in the MSPs of wheat and rice has been announced for the crop year 2004-05.

Table 5.20 : Minimum support/procurement price of wheat and paddy

(Rs/quintal)

Crop Year	Wheat		Paddy				
	MSP	per cent change	Common	per cent change	Fine	Super fine	Grade 'A'
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	5.5	490	11.4	-	-	520
2000-01	610	5.2	510	4.1	-	-	540
2001-02	620	1.6	530	3.9	-	-	560
2002-03	620\$	-	530\$	-	-	-	560\$
2003-04	630	1.6	550	3.8	-	-	580
2004-05	640	1.6	560	1.8	-	-	590

For MSP of other crops, see appendix-5.5

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

\$ One time special drought relief of Rs.20/- per quintal for rice and Rs 10/- per quintal for wheat was given over and above the MSP.

Source : Ministry of Agriculture.