

Minimum Support Prices (MSP)

5.62 Substantial increases in the MSPs of paddy and wheat after the mid-nineties and upto 2000-01 (Table 5.19) resulted in a large gap between the cost of production (C2 costs) and the MSP of wheat and paddy, and led to a build-up of foodgrains stocks with the FCI to an unprecedented level of 64.7 million tonnes in June 2002, almost three times the buffer norms. However, from 2001-02 onwards, the price policy for Rabi and Kharif crops announced modest MSP increases for wheat and paddy.

5.63 Despite the modest increase in MSP, procurement of paddy/rice for the Central Pool was at an unprecedented level of 27.6 million tonnes in KMS 2005-06. However, in spite of

the announcement of an incentive bonus of Rs. 50/- per quintal over the MSP, procurement of wheat in RMS 2006-07 was only 9.2 million tonnes. The decline in wheat procurement in RMS 2006-07 is attributed to a shortfall of output of wheat from the targeted level, lower market arrivals, high ruling market prices, and negative market sentiments due to low stocks of wheat. In order to encourage farmers to increase production of wheat as well as to enhance procurement in RMS 2007-08, the Government has announced an MSP of Rs. 750 per quintal, which is Rs. 100 per quintal more than last year's MSP. In order to enhance procurement of rice during KMS 2006-07, an incentive bonus of Rs. 40 per quintal for paddy crop 2006-07 upto March 31, 2007 has also been announced.

Table 5.19 : Minimum support/procurement price of wheat and paddy

(Rs./Quintal)

Crop Year	Wheat		Paddy			
	MSP	per cent Change	Common	per cent Change	Grade'A'	per cent Change
1997-98*	510	7.4	415	9.2	455	-
1998-99	550	7.8	440	6.0	470	3.3
1999-00	580	5.5	490	11.4	520	10.6
2000-01	610	5.2	510	4.1	540	3.8
2001-02	620	1.6	530	3.9	560	3.7
2002-03	620\$	0.0	530\$	0.0	560\$	0.0
2003-04	630	1.6	550	3.8	580	3.6
2004-05	640	1.6	560	1.8	590	1.7
2005-06	650^	1.6	570	1.8	600	1.7
2006-07	750	15.4	580@	1.8	610@	1.7

Note: 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 was given in case of paddy over and above the existing MSP and Rs 10/- per quintal for wheat was given over and above the MSP.

^ An incentive bonus of Rs.50/- per quintal over the MSP given for wheat procured in RMS 2006-07 during the period 20-03-2006 to 30-06-2006. @ An incentive bonus of Rs.40/- per quintal over the MSP allowed for paddy procured in KMS 2006-07 till 31-03-2007.

Source : Ministry of Agriculture.