

## Agriculture Price Support Policy

28. Since early 70's, the Government has been following the mechanism of Minimum Support Prices (MSP), in order to ensure that farmers get remunerative prices for their produce and there is no distress sale particularly during the harvesting season. The MSPs for major crops is recommended to the Government each year by the Commission for Agricultural Cost and Prices (CACP), based on detailed study of cost of production and other relevant factors including imputed cost of labour and managerial charges. Cereals for which CACP recommends MSP are paddy, wheat, jowar, bajra, maize and ragi. It also recommends prices for four pulses *i.e.* gram, arhar, moong and urad; six oilseeds namely groundnut, sunflower, soyabean, mustard/rapeseed, safflower, toria; and one tree crop, namely copra.

It also recommends MSPs for four non-food crops *i.e.* cotton, jute, sugarcane and tobacco.

29. When the Government delicensed industry in 1991-92, it also chose to grant larger increase in MSP in order to improve the terms of trade for the farmers (Table 5.12).

30. Apparently, the MSP and the consequent issue price for PDS provides a benchmark for the market prices of foodgrains. Of late, the rise in the economic cost of FCI is seen to have exceeded the open market price, which should not be surprising as the economic cost includes carrying cost of Buffer Stocks. However, there is need to control FCI's costs-particularly in respect of distribution and storage costs. The Government has recently decided to undertake a review of FCI's costs by an expert body.

**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'
1980-81	117	-	105	-	-	-	-
1990-91	225	-	205	-	215	225	-
1991-92	275	22.2	230	12.2	240	250	-
1992-93	330	32.0	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*

For MSP of Other crops, see Appendix-5.5

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