

MINIMUM SUPPORT PRICE

Remunerative Price Fixing For Farm Commodities

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Minimum Support Price (MSP) is the assurance of remunerative price given to farmers for their farm commodities in the beginning of each sowing season. The government essentially guarantees to buy any of the harvest at this price. If the market price is more than the MSP, farmers are free to sell and get higher return. The MSP is thus a safeguard against the prices falling too low. The government has notified MSP for 23 commodities. These 23 crops are listed in table-5. Close to 90 per cent of area under cultivation is covered by these crops. The MSP is fixed at 50 per cent higher than the cost of production. This cost is computed in the following manner:

$$\text{MSP} = (\text{A2} + \text{FL}) + 50\% \text{ of } (\text{A2} + \text{FL})$$

A2 = Actual Paid out cost on all expenses incurred by the farmers on Seeds + Fertilizers + Agrochemicals + Fuel or Rental money paid for hired farm equipment + Hired Labour + Irrigation water.

FL = Imputed Value of unpaid family labour

The government used A2 + FL formula for fixing MSP. Thus, the remunerative price is fixed at 1.5 times the cost of production. This is to be the “Benchmark” for all crops that are to be covered under MSP. Many farmers Organizations did not agree to A2 + FL formula. They have been demanding that MSP be fixed based on C2 + 50% formula. The C2 is the comprehensive cost that includes the following items of expenditure.

$$\text{C2} = (\text{A2} + \text{FL}) + (\text{Rental Value of owned land}) + (\text{Interest on the value of owned Capital Assets}) + (\text{Depreciation of Assets})$$

$$\text{MSP} = \text{C2} + 50\% \text{ of C2}$$

The government did not opt C2 formula for fixing the MSP. Argument is that C2 is unwieldy and possibly prohibitive. The government, therefore, did not deviate from A2+FL formula which is seen most realistic considering various factors including likely implications of MSP on Consumers and price trend in both domestic and international markets. Accordingly, the government fixed MSP for 5 Rabi crops of 2018-19 season using A2+FL formula as shown in table-1.

If the market price of a crop falls below MSP, the Gap between MSP and Actual Market Price is to be filled by the government so as to ensure farmers get fair price for their produce. Niti Ayog has mooted a Price Deficiency Payment mechanism to fill this gap. This mechanism will reduce the need for it to actually procure the food crops, transport, store,

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GOVT'S MSP BOOST FOR FARMERS

Crop	Cost (A2+FL)	Cost (C2)	MSP (RMS* 2018-19)	Margin (%) over A2+FL cost
Wheat	₹817	₹1,256	₹1,735	112
Barley	₹845	₹1,190	₹1,410	67
Gram	₹2,461	₹3,526	₹4,250	73
Lentil	₹2,366	₹3,727	₹4,150	75
Safflower	₹3,125	₹3,979	₹4,000	28

*RMS - Rabi Marketing Season

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COST & PROFIT UNDER NEW REGIME

Crops	Cost (Rs/Quintal)	MSP (Rs/Quintal)	% return over cost
Bajra	990	1,950	96.9
Arhar (Tur)	3,432	5,675	65.3
Urard	3,438	5,600	62.9
Maize	1,131	1,700	50.3
Paddy*	1,166	1,750	50.1
Jowar**	1,619	2,430	50.1
Ragi	1,931	2,897	50
Cotton***	3,433	5,150	50
Sunflower seed	3,592	5,388	50
Soyabean	2,266	3,399	50
Sesamum	4,166	6,249	50
Nigerseed	3,918	5,877	50
Moong	4,650	6,975	50
Groundnut	3,260	4,890	50

*Common variety, ** Hybrid, ***Medium staple

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MILLETTS GET BIG PUSH

Crop	MSP Rs/Quintal		% change
	Existing	Proposed	
Ragi	1,900	2,897	52.5
Nigerseed	4,050	5,877	45.1
Jowar (Hybrid)	1,700	2,430	42.9
Jowar (Maldandi)	1,725	2,450	42.0
Bajra	1,425	1,950	36.8
Sunflower seed	4,100	5,388	31.4
Cotton (medium)	4,020	5,150	28.1
Cotton (long)	4,320	5,450	26.2
Moong	5,575	6,975	25.1
Maize	1,425	1,700	19.3
Sesamum	5,300	6,249	17.9
Paddy (common)	1,550	1,750	12.9
Soyabean	3,050	3,399	11.4
Paddy (Grade A)	1,590	1,770	11.3
Groundnut	4,450	4,890	9.9
Tur (Arhar)	5,450	5,675	4.1
Urard	5,400	5,600	3.7

MORE TO FARMERS

Crop	Existing MSP (2017-18)	New MSP (2018-19)	% change
Wheat	1,735	1,840	6.1
Barley	1,410	1,440	2.1
Gram	4,400	4,620	5
Masur	4,250	4,475	5.3
Rapeseed & mustard	4,000	4,200	5
Safflower	4,100	4,945	20.6

Figures in ₹/ quintal

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MSP Increase

Crops	% return over cost		% Change in MSP
	2017-18	2018-19	
Kharif crops			
PADDY (Common)	38.8	50.1	13%
JOWAR (Hybrid)	9.3	50.1	43%
BAJRA	50.2	37.0	37%
MAIZE	36.5	50.1	19%
RAGI	2.1	50.0	52%
ARHAR (Tur)	64.3	65.4	4%
MOONG	39.1	50.0	28%
URAD	65.4	62.9	4%
COTTON (Medium Staple)	22.7	30.0	28%
GROUNDNUT IN SHELL	40.9	50.0	10%
SUNFLOWER SEED	17.8	50.0	31%
SOYABEAN	43.8	50.0	11%
SESAMUM	39.3	50.0	16%
NIGERSEED	3.5	50.0	48%
Rabi crops			
WHEAT	112.4	112.5	6%
BARLEY	66.3	67.4	2%
GRAM	78.8	75.2	5%
MASUR (LENTIL)	79.6	76.7	5%
RAPSEED/MUSTARD	88.4	89.9	5%
SAFFLOWER	31.2	50.1	21%
COPRA (Milling)	36.6	30.0	16%
JUTE	62	63.2	2%
Others			
SUGARCANE	67.8	77.4	8%

Source: IAS, Srinagar

PRODUCTIVITY TAKES A HIT

Crop	Yield in kg/hectare	Genetic potential in kg/hectare
Rice	1,835	4,000
Rabi jowar	510	2,200
Soyabean	977	4,000
Tur	615	5,000
Green chickpea	756	4,000
Corn	2,318	8,000
Cotton	729	3,000
Sugarcane	83,000	3,50,000

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and then dispose of under Public Distribution System through Fair Price Shops. Besides, it will also keep food subsidies under check. At present, farmers are getting lower price than MSP for a majority of 23 notified crops. See table-2 which shows that the maximum hike of over 52 per cent is made in Ragi (Finger Millet) compared to its Existing Price followed by 43 per cent for Jowar (Sorgham) and 36.8 per cent for Bajra (Pearl Millet). The price of main kharif crop like Paddy was raised under Price Deficiency Payment Mechanism at Rs.1770/- from Rs.1590/- per quintal. Higher MSP has thus gained momentum.

An analysis of the new MSP revised in July-2018 and presented in table-3 shows that a return of 50 per cent over the cost of production is assured in almost all the crops except three crops like Bajra, Arhar, and Urad. In Bajra, farmers are getting nearly 97 per cent more followed by Arhar and Urad at 65.3 and 62.9 per cent respectively. The message is clear that farmers should be encouraged to cultivate pulses, oilseeds, and millets. These crops have been notified as “Nutri-Cereals” which are not only a Powerhouse of Nutrients but also Climate Resilient as these crops consume less water and can be grown in drought prone areas.

The government hiked MSP of all the 6 Rabi crops in October-2018 as shown in table-4 in tune with the increase in price of kharif crops. The data presented in table-4 are the revised figures of MSP for 2018-19 over the MSP of 2017-18. It apparently means that the MSP will go on changing every year. In 2018-19, maximum change of 20.6 per cent is recorded in Safflower prices followed by wheat at 6.1 per cent. Rabi crops covered under the hike are wheat, Barley, Gram, Lentil (Masur), Mustard-Rapeseed, and Safflower whose MSP is significantly higher than their cost of production. For instance, the cost of production of wheat in October-2018 was Rs.866 per quintal. The declared MSP at Rs.1840 per quintal gave farmers a return of 112.5 per cent over the cost of production.

Percentage change (increase) in MSP of all the 23 notified crops in 2018-19 over 2017-18 are shown in table-5. It shows that MSP for as many as 10 crops raised by 10 per cent in 2018-19 over 2017-18 levels. Maximum change was recorded in Ragi at 52 per cent followed by Nigerseed at 45 per cent, Jowar at 43 per cent, Maize at 37 per cent, Sunflower seed at 31 per cent, Cotton at 28 per cent, Moong at 25 per cent, and Safflower at 21 per cent.

At present, there is no support price for Organic Products. The government is mulling bringing organic produce under MSP regime. In October-2018, government offered 20 per cent higher MSP for organic produce over traditional (Non-Organic) produce as the way forward to promote pesticide-free and fertilizer-free Organic Farming under the

Cluster Approach launched by the government in 2015-16. Under this scheme, farmers are given financial incentives to form a Cluster of minimum 20 hectare each of contiguous farm land. However, the idea of MSP for organic produce is not encouraging. This is because MSP mainly covers the cost of production and not the Quality. Since the production cost of organic produce is quite low, the MSP route may not provide farmers a better price. Organic farmers get price of their produce on “quality”.

Statistics reveal that there is a poor picture of crop productivity. Comparative data presented in table-6 show that the average per hectare yield for major crops is substantially lower than their Genetic Potential. Take Rice for example, the average yield is 1885 kg per hectare while its Genetic Potential is 4000 kg per hectare. Similarly, highest yield of 83000 kg is recorded in Sugarcane while the Genetic Potential of this crop is 3,50,000 kg per hectare. Such a high difference in Productivity of major crops is accorded to the fact that their cultivation is done in conditions that are not favourable for them. The key reasons for this gap are non application of research-based inputs, old and redundant practices, absence of innovation, unavailability of assured irrigation facilities, small land holdings, and non adoption of cropping pattern that is best suited the geographical parameters. Genetic Potential is the yield of a particular crop in perfect conditions. It is the level of productivity that every crop is programmed to achieve in ideal conditions by virtue of the genes it possess. The high productivity with a Minimum Support Price combined together will result in augmentation of farmers income. This is what has been the Mission of Indian Prime Minister to achieve, doubling the farmers' income.

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