

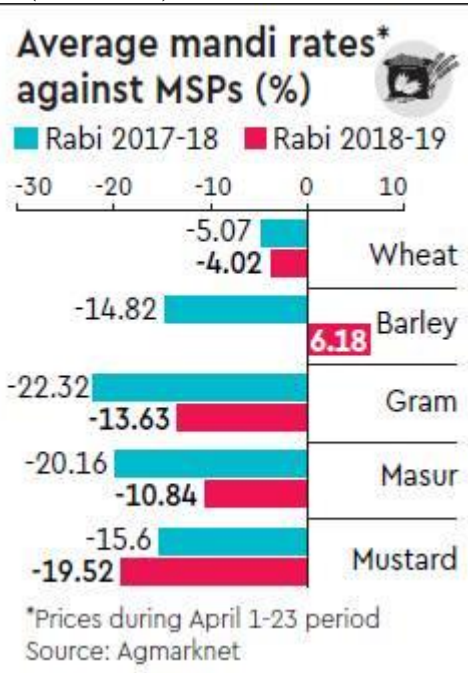
Crisis looms: Key winter crops trading up to 20% below minimum support price%

Prabhudatta Mishra | April 25, 2019



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If it barely brought mandi rates to the respective minimum support prices (MSPs) for the last kharif crop — most oilseeds and pulses ruled about 30% below MSPs for most part of the season —, the Narendra Modi government’s PM-Aasha scheme doesn’t seem to be doing any better in the ongoing rabi period. According to official data reviewed by FE, mandi prices of four major rabi crops were 4-20% below their MSPs since the winter harvesting began from April 1 (see table).



Of course, the differential between the market prices and MSPs that prevailed during the corresponding period last year when the scheme was not in place was even higher, but not as much as to bear out the scheme's efficacy. Assured price deficiency support to farmers under the much-touted scheme announced in September 2018 has made little change to the amount of pulses and oilseeds procured by the government or its price-support budget.

Though two-and-a-half months are still to go in the current rabi season, the government's procurement of pulses and oilseeds touched only about 5% of its target under the PM-Aasha scheme up to April 11. Since the rabi procurement typically continues up to only June 30, the purchases by state-run agencies will most likely fall short of the target this season, even though lifting typically picks up pace after April.

According to market sources, a cap of 25% of production imposed by the government agencies on procurement to cut costs is one of reasons why the mandi prices are ruling below the MSPs. "We (private traders) know that the government will not buy beyond a point, hence there is no hurry in purchases.

Once the government procurement is over and there is abundant supply of a crop, its prices tend to be subdued through the season and this is currently happening, in case of many rabi crops," said Pawan Goel, a wheat trader from Hapur, Uttar Pradesh.

Wheat prices are lower in most of the places where official procurement is not robust. During April 1-23, wheat was 4% below its MSP of REs 1,840/quintal in Kota, Rajasthan. The government procurement system is not that strong in Rajasthan compared with Punjab, Haryana and Madhya Pradesh.

During April 1-23, chana was down 14% from the MSP level in Guna, Madhya Pradesh; masur (lentil) 11% lower in Sagar, MP; and mustard 20% below MSP in Anoopgarh, Rajasthan. These mandis have seen robust arrivals during the review period. Barley is the only major crop in which farmers are getting 6% more than MSP in Sriganganagar, Rajasthan. The government had raised the MSPs of wheat, barley, chana, masur and mustard by 2-6% in 2018-19 crop year (July-June).

For as many as 14 crops in kharif 2018, the government had earlier announced MSP hikes in the range of 4-52% in sync with the policy to keep MSPs at 1.5 times of the cost.

Nafed and the Food Corporation of India have purchased nearly 18 lakh tonne of oilseeds and pulses (valued Rs 10,000 crore at MSPs) in the 2018-19 kharif season. However, this was just 47% of the sanctioned quantity of about 38 lakh tonne. Under the PM-Aasha guidelines, the Centre allows procurement of 25% of production at MSP and bear the entire losses, if any, in selling these oilseeds and pulses in the market.

Source: <https://www.financialexpress.com/economy/key-winter-crops-traded-up-to-20-below-msp/1558294/>