Union Government Announces MSP Hike for Rabi Crops

October 17, 2024 • vajiramandravi.com

What’s in today’s article?

- Why in News?
- MSP Regime in India
- Issues Faced by the MSP Regime in India
- News Summary Regarding MSP Hike for Rabi Crops

Why in News?

The Union government has declared minimum support prices (MSP) for six rabi crops for the 2025-26 marketing season, notably increasing the MSP for wheat by ₹150 per quintal to ₹2,425, marking a 6.59% rise from the previous MSP.

Minimum Support Price (MSP) Regime in India:

- **About MSP:** MSP is a form of **market intervention** (a policy decision not enforceable by law) by the Government of India to insure agricultural producers against any sharp fall in farm prices during bumper production years.

- **Announced by:** These are announced by the **Cabinet Committee on Economic Affairs** (Chaired by the PM of India) on the basis of the recommendations of the Commission for Agricultural Costs and Prices (**CACP**) at the beginning of the sowing season for certain crops.
- **Objectives:**
    - **MSPs are a guarantee price** for farmer's produce from the Government to prevent the farmers from distress sales and to procure food grains for public distribution.
    - **For example,** if the market price for a commodity falls below the specified minimum price due to market surplus, government agencies will buy the entire quantity supplied by farmers at the announced minimum price.
    - The MSP hikes are **essential not only for farmers' welfare but also for stabilising agricultural markets**, especially as India aims to enhance domestic pulse production amid rising imports.
- **Background:**
    - India's agriculture was **devastated under British rule** and the farmers were impoverished.
    - **The Food-Grain Enquiry Committee**, established by the Jawaharlal Nehru administration in 1957, was the first attempt to address the agricultural earning issue.
    - In 1964, **Lal Bahadur Shastri** formed the Food Grain Price Committee (under LK Jha), to push for a MSP regime.
    - **The first MSP announcement** was made in 1967 by the then Agriculture Minister Jagjivan Ram.
    - Thus, the MSP regime came into existence as **a policy decision** (to be applicable uniformly across India) and the government set up the Agricultural Prices Commission (renamed as the CACP in 1985) for fixing MSP for crops.
- **Crops covered**:
    - Government announces MSPs for **22** mandated crops and fair and remunerative price (FRP) for **sugarcane** (total 23).
    - The mandated crops are **14** crops of the **kharif** season, **6 rabi crops** (Wheat, Barley, Gram, Masur [Lentil], Rapeseed & Mustard, Safflower) and two other commercial crops.

Issues Faced by the MSP Regime in India:

- **Limited coverage:** MSP is only applicable to certain crops, primarily those included in the government procurement system. Many farmers grow crops not covered by MSP, leaving them vulnerable to price fluctuations.
- **Regional disparities:** The implementation of MSP varies across states. Some regions benefit more due to better procurement infrastructure, while others face challenges in accessing MSP, leading to uneven support for farmers.
- **Discourage diversification:** Farmers may become overly reliant on MSP, which can discourage diversification and lead to overproduction of specific crops, causing market imbalances.
- **Procurement challenges:** While MSP aims to ensure fair pricing, actual procurement processes can be inefficient. Issues like delays in payments, inadequate storage facilities, and corruption can hinder farmers from benefiting fully.
- **Market distortions:** MSP can distort market signals by encouraging farmers to produce crops primarily for government support rather than responding to market demand, potentially leading to surpluses and wastage.

- **Neglect of non-cereal crops:** The MSP regime has historically focused on staple crops like wheat and rice, often neglecting pulses, oilseeds, and other essential crops. **This can impact nutritional diversity and food security.**
- **Inflationary pressure:** Increasing MSP without corresponding productivity improvements can contribute to inflation in food prices, affecting consumers and the overall economy.
- **Sustainability concerns:** The emphasis on certain crops may lead to unsustainable farming practices, such as excessive water use and soil degradation, affecting long-term agricultural viability.
- **Under utilisation of available support:** Many farmers are not fully aware of the MSP policies or how to access them, leading to under utilisation of available support.
- **Political interference:** MSP decisions can be influenced by political considerations, leading to inconsistencies in pricing and procurement policies that do not necessarily align with economic realities.

News Summary Regarding MSP Hike for Rabi Crops:

- **Details of MSP adjustments:**

	MSP (Rs/Quintal) for RMS 2024-25	MSP (Rs/Quintal) for RMS 2025-26	Absolute Increase (Rs/Quintal)	% Increase
Wheat	2275	2425	150	6.59
Barley	1850	1980	130	7.03
Gram	5440	5650	210	3.86
Lentil (masur)	6425	6700	275	4.28
Rapeseed and mustard	5650	5990	300	6.02
Safflower	5800	5940	140	2.41

- **Government's justification:**
  - Despite upcoming elections in states like Maharashtra and Jharkhand, the government **denied any political motives** behind the timing of these announcements.
  - According to the Union Agriculture Minister, these hikes will **ensure fair prices to farmers and encourage crop diversification**.
  - The decision to increase the MSP for mandated Rabi Crops for the Marketing Season 2025-26 aligns with the **Union Budget 2018-19** announcement of fixing the MSP **at a level of at least 1.5 times of the All-India weighted average cost of production**.
  - The anticipated margin over the All-India weighted average cost of production varies among crops, with **wheat leading at 105%,** followed by rapeseed & mustard at 98%, lentil at 89%, gram and barley both at 60%, and safflower at 50%.
- **Significance of wheat crop:**
  - **Wheat is India's 2nd-largest crop**, with a production estimate of 113.92 million tonnes for 2023-24.
  - **UP, MP, and Punjab** are the leading wheat-producing states.
  - In the current marketing season, the government has procured 26.6 million tonnes of wheat, benefiting approximately 22 lakh farmers.

Q.1. What is the Commission for Agricultural Costs and Prices (CACP)?

The CACP is an attached office under the Union Ministry of Agriculture & Farmers Welfare, that recommends Minimum Support Prices (MSP) for select crops. It was established in 1965 as the Agricultural Prices Commission, and was given its present name in 1985.

Q.2. What is the Indian government doing for crop diversification?

The Indian government is implementing the Crop Diversification Programme (CDP) in the Original Green Revolution States viz; Haryana, Punjab & Western UP since 2013-14 to divert the area of water intensive paddy crop to alternative crops like pulses, oilseeds, coarse cereals, nutri cereals, cotton etc.

Source: Centre approves MSP for 6 Rabi crops for marketing season 2025-26; wheat now Rs 2,425 per quintal | TH
