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# *Agricultural Production and* **Market Outlook**

The Rising Agriculture....

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## **Minimum Support Price**



Minimum Support Price (MSP) is a form of market intervention by the Government of India to insure agricultural producers against any sharp fall in farm prices. The minimum support prices are announced by the Government of India at the beginning of the sowing season for certain crops on the basis of the recommendations of the Commission for Agricultural Costs and Prices (CACP). MSP is price fixed by Government of India to protect the producer - farmers - against excessive fall in price during bumper production years. The minimum support price is a guarantee price for their produce from the Government. The major objectives are to support the farmers from distress sales and to procure food grains for public distribution as well as to maintain buffer stock. In case the market price for the commodity falls below the announced minimum price due to bumper production and glut in the market, government agencies (should) purchase the entire quantity offered by the farmers at the announced minimum price.

## Determination of MSP

In formulating the recommendations in respect of the level of minimum support prices and other non-price measures, the Commission takes into account, apart from a comprehensive view of the entire structure of the economy of a particular commodity or group of commodities, the following factors:-

- Cost of production
- Changes in input prices
- Input-output price parity
- Trends in market prices
- Demand and supply
- Inter-crop price parity
- Effect on industrial cost structure
- Effect on cost of living
- Effect on general price level
- International price situation
- Parity between prices paid and prices received by the farmers.
- Effect on issue prices and implications for subsidy

## Encouraging Cultivation

Commodity	MSP for 2016-17 (R/Qtl)	MSP for 2017-18 (R/Qtl)	% Increase Over Previous Year
WHEAT	1,625	1,735	7%
BARLEY	1,325	1,410	6%
GRAM	4,000	4,400	10%
MASUR(LENTIL)	3,950	4,250	8%
RAPESEED/MUSTARD	3,700	4,000	8%
SAFFLOWER	3,700	4,100	11%

The Commission makes use of both micro-level data and aggregates at the level of district, state and the country. The information/data used by the Commission, inter-alia include the following :-

- Cost of cultivation per hectare and structure of costs in various regions of the country and changes there in;
- Cost of production per quintal in various regions of the country and changes therein;
- Prices of various inputs and changes therein;
- Market prices of products and changes therein;
- Prices of commodities sold by the farmers and of those purchased by them and changes therein;
- Supply related information - area, yield and production, imports, exports and domestic availability and stocks with the Government/public agencies or industry;
- Demand related information - total and per capita consumption, trends and capacity of the processing industry;
- Prices in the international market and changes therein, demand and supply situation in the world market;
- Prices of the derivatives of the farm products such as sugar, jaggery, jute goods, edible/non-edible oils and cotton yarn and changes therein;
- Cost of processing of agricultural products and changes therein;
- Cost of marketing - storage, transportation, processing, marketing services, taxes/fees and margins retained by market functionaries; and
- Macro-economic variables such as general level of prices, consumer price indices and those reflecting monetary and fiscal factors.

## Pricing policy for Sugarcane

The pricing of sugarcane is governed by the statutory provisions of the Sugarcane (Control) Order, 1966 issued under the Essential Commodities Act (ECA), 1955. Prior to 2009-10 sugar season, the Central Government was fixing the Statutory Minimum Price (SMP) of sugarcane and farmers were entitled to share profits of a sugar mill on 50:50 basis. As this sharing of profits remained virtually

unimplemented, the Sugarcane (Control) Order, 1966 was amended in October, 2009 and the concept of SMP was replaced by the Fair and Remunerative Price (FRP) of sugarcane. A new clause 'reasonable margins for growers of sugarcane on account of risk and profits' was inserted as an additional factor for working out FRP and this was made effective from the 2009-10 sugar season. Accordingly, the CACP is required to pay due regard to

## THIN MARGINS

Minimum Support Price (MSP) for Kharif Crops in 2017.

Crop	Comprehensive (C2) Cost/quintal (in Rs.)		MSP/quintal	% returns over costs	% increase in MSP (2017-18 over 2016-17)
	Comprehensive (C2) Cost/quintal	MSP/quintal			
Paddy	1,484	1,550		4.4	5.4
Arhar (Tur)	4,612	5,450		18.2	7.9
Urad	5,517	5,400		19.5	8
Moong	5,700	5,575		-2.2	6.7
Sunflower Seed	4,526	4,100		-9.4	3.8
Soyabean	2,921	3,050		4.4	9.9
Cotton (Medium Staple)	4,376	4,020		-8.1	4.2
Maize	1,396	1,425		2.1	4.4

Source: Commission for Agricultural Costs and Prices, Ministry of Agriculture

the statutory factors listed in the Control Order, which are

- the cost of production of sugarcane;
- the return to the grower from alternative crops and the general trend of prices of agricultural commodities;
- the availability of sugar to the consumers at a fair price;
- the price of sugar;
- the recovery rate of sugar from sugarcane;
- the realization made from sale of by-products viz. molasses, bagasse and press mud or their imputed value (inserted in December, 2008) and;
- reasonable margins for growers of sugarcane on account of risk and profits (inserted in October, 2009).

**States also announce a price called the State Advisory Price (SAP), which is usually higher than the SMP.**

### Crops covered

26 commodities are currently covered. They are as follows.

- Cereals (7) - Paddy, wheat, Barley, Jowar, Bajra, Maize and Ragi
- Pulses (5) - Gram, Arhar/Tur, Moong, Urad and Lentil
- Oilseeds (8) - Groundnut, Rapeseed/Mustard, Toria, Soyabean, Sunflower seed, Sesamum, Safflower seed and Nigerseed
- Copra
- De-husked coconut
- Raw cotton
- Raw jute
- Sugarcane (Fair and remunerative price)
- Virginia flu cured (VFC) tobacco

Farmer can get the price information of their produce available on Agmarknet website ([www.agmarknet.nic.in](http://www.agmarknet.nic.in)) or through Kisan Call Centres or SMS.

- Harvesting and threshing should be done at appropriate time.
- Proper grading, packing and labeling should be done before sale for better prices.
- Transport of produce at proper market/mandi for getting remunerative price.
- Storage of produce should be done for sale during off season for maximum profit.
- Avoid distress sale.
- Farmer in a group can form marketing cooperatives for better marketing facilities.
- Marketing cooperatives can open retail and wholesale outlets.
- Farmers can also operate cold storages and warehouses to store the produce in order to avoid distress sale.

## India's first APMC yard established with near-zero government assistance



Shri P. Sojitra, Chairman of the Amreli Agricultural Produce Market Committee (APMC), recently earned praise from Prime Minister

Narendra Modi. The reason: the unique model of financing that the APMC employed in developing its new market yard at Fatepur, a village on the outskirts of Amreli town. The new yard, costing Rs 125 crore,

has 10 auction sheds of 25000 square feet each, an open bidding space of three lakh square feet, 200 shops/offices, a well-appointed guest house, a farmer training centre, soil testing lab and produce grading facilities, underground cabling and storm-water drainage systems. But what sets it apart from other APMC-owned yards in India is its being built with hardly any state support or bank loans. Started in 1953, the Amreli APMC is the oldest in the Saurashtra region. The existing yard spread over six hectares has, over time, become the heart of Amreli town. And with rising crop arrivals, on top of vehicular population linked to the town's own growth, it has inevitably contributed to traffic snarls.

## India to export five lakh tone rice to Bangladesh



In a first of its kind arrangement between India and Bangladesh in recent years, India would be

exporting around 5 lakh tone of parboiled rice to Bangladesh for meeting its domestic demand and creating a buffer stock. The central government has authorized agri cooperative Nafed to export rice to Bangladesh. At present, Bangladesh is facing a shortfall of 1.5 million tonne (mt) of this year due to crop losses by heavy flooding in the recent months. Bangladesh's ministry of flood has called a meeting on October 15 to decide on the process and time-frame for supply of rice from India. As the rice exports would be carried on a G2G (government-to-government) basis, there would not be any tender for rice exports from India. Around 1.5 lakh tone of rice has been already exported to Bangladesh by private trades this fiscal year.

## Edible Oil Import to rise in coming year

India's dependence on imported edible oil is likely to increase to a record level during the coming oil year of 2017-18 (November-October). A decline in availability from domestic sources is expected, following lower oilseed availability and sustained increase in consumption. Data compiled by the apex industry body, the Solvent Extractors' Association, shows vegetable oil (98 per cent edible and two per cent non-edible import at 14.27 million tonnes for

the 11-month period ended September-2017, compared with 13.57 mt in the corresponding period last year. Another 1.2-1.3 mt of import in October would take the year's import to 15.5 mt, a record. As for the oil year 2017-18, less of sowing and crop damage due to flooding in major growing regions has reduced the soybean crop size. From last year's 12 mt, soybean output is forecast at below nine mt.

Book Post

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