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- Beverages
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- Agriculture
- Snacks & Confectionery
- Fruit & Vegetable
- Meat & Seafood
- Sugar
- Oils & Fats
- Ingredients/Flavours
- Spices
- Retail
- Bakery / Biscuits
- Poultry
- International
- Company Report
- New launches
- Nutrition
- Hotels & Hospitality
- Features**
- Edit
- Column
- Special Reports
- Interview
- Issues
- In Focus
- Analysis
- Budget
- Festival
- F&B Projects
- Marketing**
- Brand news
- Marketing
- People

TOP NEWS

Hike in MSP in line with recommendations of Swaminathan panel: CARE Ratings

Friday, 25 September, 2020, 08 : 00 AM [IST]

Our Bureau, Mumbai

The Cabinet Committee on Economic Affairs has approved the increase in the Minimum Support Prices (MSPs) for all mandated Rabi Crops for marketing season 2021-22.

Offering an opinion on the development, in a press release issued recently, CARE Ratings, a leading credit rating agency, pointed out that the hike in MSP was in line with the recommendations of Swaminathan Commission that MSP should be at least 50 per cent more than the average production cost. The increase in MSP for Rabi Crops for marketing season 2021-22 is also in line with the principle of fixing the MSPs at a level of at least 1.5 times of the All-India weighted average Cost of Production as announced in Union Budget 2018-19.

It is to be noted that the announcement of the MSP before the commencement of the Rabi season aimed at helping the farmers in deciding on their crop structure. The MSP announcement also entails that the procurement at MSP and the APMC mandis will continue to function.

However, the farmer will be free to sell his produce outside these systems anywhere throughout the country to get remunerative prices. The MSP for pulses (lentil) and oilseeds has been increased to boost production of these crops so that import of these items can be reduced.

The food grain output target has been set at record 301 million tonne for 2020-21, nearly 1.5 per cent higher from the previous year's output, on the back of good monsoon rains and higher acreage in the Kharif season.

Highlights

- The MSP for all six Rabi crops marketing season 2021-22 has been increased from that in the last marketing season.
- The average increase in Rabi MSP is 4.3 per cent for the marketing season 2021-22, which is lowest increase in the past 6 years and lower than the average 5.7 per cent increase announced last year.
- The highest increase in MSP has been announced for lentil (Rs 300 per quintal) – an increase by 6.3 per cent year on year (yoy).
- It is followed by gram and rapeseed and mustard (Rs 225 per quintal each) and safflower (Rs 112 per quintal). MSP for rapeseed and mustard has been 5.1 per cent higher than last year's MSP.
- For Rabi marketing season 2021-22 the increase in MSP for Safflower is 2.1 per cent than the previous year.
- For wheat, the MSP has been increased by Rs 50 per quintal – 2.6 per cent higher than Rabi marketing season of 2020-21. This the lowest increase in MSP among all crops for the Rabi marketing season of 2021-22.
- For barley an increase of Rs 75 per quintal has been announced, which is 4.9 per cent higher than the last year.
- The differential remuneration is aimed at encouraging crop diversification.
- The average return over cost is around 78 per cent for all six Rabi crops, which is more than what was recommended by the Swaminathan Committee.
- The expected returns to farmers over their cost of production are estimated to be highest in case of wheat (106 per cent) followed by rapeseed & mustard (93 per cent), gram and lentil (78 per cent).
- For barley, return to farmers over their cost of production is estimated at 65 per cent and for safflower, 50 per cent.

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