

MSP for Rabi Marketing Season 2021-22

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The Cabinet Committee on Economic Affairs approved the increase in the Minimum Support Prices (MSPs) for all mandated Rabi crops for marketing season 2021-22. The hike in MSP is in line with the recommendations of Swaminathan Commission that MSP should be at least 50% 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 tonnes for 2020-21, nearly 1.5% higher from the previous year's output, on the back of good monsoon rains and higher acreage in the Kharif season.

Key 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% for the marketing season 2021-22, which is lowest increase in the past 6 years and lower than the average 5.7% increase announced last year.
- The highest increase in MSP has been announced for lentil (Rs. 300 per quintal) – an increase by 6.3% year on year (yoy).
- It is followed by gram and rapeseed & mustard (Rs. 225 per quintal each) and safflower (Rs. 112 per quintal). MSP for rapeseed and mustard has been 5.1% higher than last year's MSP.
- For Rabi marketing season 2021-22 the increase in MSP for Safflower is 2.1% than the previous year.
- For wheat, the MSP has been increased by Rs. 50 per quintal – 2.6% higher than rabi marketing season of 2020-21. This is 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% higher than the last year.
- The differential remuneration is aimed at encouraging crop diversification.

- The average return over cost is around 78% 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%) followed by rapeseed & mustard (93%), gram and lentil (78%).
- For barley, return to farmers over their cost of production is estimated at 65% and for safflower, 50%.

Table 1: Minimum Support Prices for all Rabi crops for marketing season 2021-22

Crops	MSP for RMS2020-21	MSP for RMS2021-22	Cost of production 2021-22*	Increase in MSP	Return over cost
Unit	(Rs/quintal)	(Rs/quintal)	(Rs/quintal)	(Rs/quintal)	(%)
Wheat	1,925	1,975	960	50	106
Barley	1,525	1,600	971	75	65
Gram	4,875	5,100	2,866	225	78
Lentil(Masur)	4,800	5,100	2,864	300	78
Rapeseed & Mustard	4,425	4,650	2,415	225	93
Safflower	5,215	5,327	3,551	112	50

Note: * Estimated cost of production including all paid out costs and imputed value of family labour

Source: Ministry of Agriculture & Farmers Welfare

Trends in Rabi MSP

Table 2: Annual Increase in Rabi MSP (In Rs. per quintal)

Crops	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	CAGR (%)
Wheat	1,400	1,450	1,525	1,625	1,735	1,840	1,925	1,975	5.0
Barley	1,100	1,150	1,225	1,325	1,410	1,440	1,525	1,600	5.5
Gram	3,100	3,175	3,500	4,000	4,400	4,620	4,875	5,100	7.4
Lentil(Masur)	2,950	3,075	3,400	3,950	4,250	4,475	4,800	5,100	8.1
Rapeseed & Mustard	3,050	3,100	3,350	3,700	4,000	4,200	4,425	4,650	6.2
Safflower	3,000	3,050	3,300	3,700	4,100	4,945	5,215	5,327	8.5

Source: Ministry of Agriculture & Farmers Welfare

- The average year on year in MSP for the crop year 2020-21 at 4.3% has been the lowest in the past 6 years.
- Since 2013-14, the MSP for wheat has increased at a CAGR of 5% and for the marketing season 2021-22, it is 2.6% higher than the previous year.
- The increase in MSP for Barley and Rapeseed and Mustard has been between around 6% per annum during 2013-14 to 2020-21.
- The per annum growth in the MSP of Gram (Chana) has been 7.4% while that of lentil and safflower has been more than 8% during the last 8 years.

Food grain output target at record 301 million tonnes for 2020-21

Table 3: Targets of select crops output for 2020-21 (mn tonne)

Crops	Production for 2019-20 (4 th advance estimate)	Output Target for 2020-21
Rice	118.43	119.6
Wheat	107.59	108.0
Coarse cereals	47.48	47.8
<i>Jowar</i>	4.73	5.0
<i>Bajra</i>	10.28	9.57
<i>Maize</i>	28.64	29.0
Pulses	23.15	25.6
Oilseeds	33.4	37.0

Source: Ministry of Agriculture & Farmers Welfare, PIB

- The total output target of food grains (rice, wheat, coarse cereals and pulses) has been set at 301 mn tonne which is 1.5% higher than the food grain production in 2019-20 as per the 4th advance estimate.
- The target output for rice has been set at 119.6 mn tonne, 1% higher than that in 2019-20.
- The targeted wheat production in 2020-21 is 0.4% higher than the advance estimate of 107.6 mn tonne in 2019-20.
- Production target of coarse cereals is nearly unchanged in 2020-21 to 47.8 mn tonne from the previous year level. While the target for jowar (5.7%) and maize (1.3%) has been higher than the previous year that of Bajra has been set lower by nearly 7% year on year.
- Target production of pulses and oilseeds in 2020-21 is nearly 11% higher than the estimated in 2019-20.

Concluding remarks

The monsoon season this year has been quite favourable which is expected to bode well for the overall production and agriculture sector.

- As on September 21, 2020, rainfalls have been 7% higher than the long period average. Kharif sowing till September 18, 2020 was 5.7% higher than the same period of last year.
- The Indian metrological department has predicted monsoon to retrieve from the first week of October 2020. Owing to more than normal rainfalls the reservoir level across country are in surplus which will bode well for the Rabi crops with high moisture level in soil and water availability in reservoir.
- However, the MSP increase has been lowest in the past 6 years. Kharif MSP increase was 4.7% while for Rabi, it is 4.3% on an average which is lower than the previous year.
- The gains from the MSP for farmers would depend on government's procurement programme as higher production could drive the market prices lower than the MSP.

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