

Impact of Minimum Support Price on Cropping Pattern

Banshilal Patidar
Dept of Computer Science and Engineering
Rabindranath Tagore University
Bhopal, India
banshi_patidar@yahoo.com

Dr. Sitesh Kumar Sinha
Dept of Computer Science and Engineering
Rabindranath Tagore University
Bhopal, India
siteshkumarsinha@gmail.com

Dr. Anurag Jain
Dept of Computer Science and Engineering
Radharaman College of Engg.
Bhopal, India
anurag.akjain@gmail.com

Abstract— Minimum support price (MSP) policy adopted by Government of India in mid-1960s. The prices of agricultural commodities are inherently unstable, primarily due to the variation in their supply, lack of market integration and information asymmetry. To counter this, MSP for major agricultural products is fixed by the Government, each year. MSP is a tool which gives guarantee to the farmers, prior to the sowing season, that a fair amount of price is fixed to their upcoming crop to encourage higher investment and production of agricultural commodities. The MSP is the rate at which Government buys grains from farmers. Initially, MSP covered paddy, rice, wheat, jowar, bajra, maize, ragi, barley, gram, tur, moong, urad, sugarcane, groundnut, soybean, sunflower seed, rapeseed and mustard, cotton, jute and tobacco. From 1994-95 onwards, Niger seed and Sesame were included under MSP Scheme of CACP, in addition to the edible oilseeds already covered by the Commission. Similarly, during 2001-2002, the government enhanced the terms of reference of the Commission by including lentil (masur). Government increases the MSP time to time. It is considered that an increase in MSP will give a major boost for the farmers' income via changing cropping pattern. This paper is showing non-linear relationship between MSP and cropping pattern.

Keywords— *Minimum Support Price, Crop, Cropping Pattern, Commodities.*

I. INTRODUCTION

Agriculture is the primary source of livelihood for about 58 per cent of India's population. During 2018-19* crop year, food grain production is estimated at record 283.37 million tonnes. In 2019-20, Government of India is targeting food grain production of 291.1 million tonnes. As of November 2019, total area sown with rabi crops in India reached 95.35 million hectares. India is the second largest fruit producer in the world. Production of horticulture crops is estimated at record 313.9 million metric tonne (MMT) in 2018-19 as per third advance estimates. Milk production in the country stood at 187.7 million tonnes in 2018-19, registering a growth of 6.5 per cent. Milk processing capacity is expected to double from 53.5 million MT to 108 million MT by 2025. Total agricultural exports from India grew at a CAGR of 14.61 per cent over FY10-19 to reach US\$ 38.54 billion in FY19. In FY20 (till November 2019) agriculture

exports were US\$ 22.69 billion. The organic food segment in India is expected to grow at a CAGR of 10 per cent during the period 2016-21 and reach Rs 75,000 crore (US\$ 10.73 billion) mark by 2025 from Rs 2,700 crore (US\$ 386.32 million) in 2015.

II. LITERATURE REVIEW

Food and agricultural commodity prices in India are primarily determined by domestic demand and supply factors influenced by domestic price policy. Inflation and price rise of food items have become a major concern for policy makers worldwide and particularly for India and other developing countries.

Minimum Support Prices have been a cornerstone of the agricultural policy since 1965. The objective is to ensure remunerative prices to the growers for their produce with a view to encourage higher investment and production and evolve a balanced and integrated price structure in the context of overall needs of the economy while safeguarding the interest of consumers by making available supplies at reasonable prices.[4].

III. MINIMUM SUPPORT PRICE

The prices of agricultural commodities are inherently unstable, primarily due to the variation in their supply, lack of market integration and information asymmetry - a very good harvest in any year results in a sharp fall in the price of that commodity during that year which in turn will have an adverse impact on the future supply as farmers withdraw from sowing that crop in the next / following years. This then causes paucity of supply next year and hence, major price increase for consumers.

To counter this, MSP for major agricultural products is fixed by the Government, each year. MSP is a tool which gives guarantee to the farmers, prior to the sowing season, that a fair amount of price is fixed to their upcoming crop to encourage higher investment and production of agricultural commodities. The MSP is in the nature of an assured market at a minimum guaranteed price offered by the Government. The MSP is fixed on the recommendations of the Commission for Agricultural Costs and Prices (CACP). The CACP is a statutory body and

submits separate reports recommending prices for Kharif and Rabi seasons. The Central Government after considering the report and views of the State Governments and also keeping in view the overall demand and supply situation in the country, takes the final decision. In case of sugarcane, MSP has been assigned a statutory status and as such the announced price is termed as statutory minimum price, rechristened as Fair Remunerative Price (FRP). There is statutory binding on sugar factories to pay the minimum announced price and all those transactions or purchase at prices lower than this are considered illegal. MSP for the different agricultural crops viz., food grains, oil seeds, fibre crops, sugarcane and tobacco are announced by the Government of India before their sowing seasons. This makes it possible for the farmer to have an idea about the extent of price insurance cover provided by the government for the crop. The number of crops covered by MSP scheme has now increased to 24. [1]

A. MSP of crops (2018-19)

Commodity	MSP	Commodity	MSP
Paddy	1750	Soyabean	3399
Jowar	2430	Sesamum	6249
Bajra	1950	Niger Seed	5877
Maize	1700	Wheat	1840
Ragi	2897	Barley	1440
Arhar (Tur)	5675	Gram	4620
Moong	6975	Masur	4475
Urad	5600	Rapeseed/Mustard	4200
Cotton(F-414)	5150	Safflower	4945
Cotton(H-4)	5450	Copra (Milling)	7511
Groundnut	4890	Copra (Bali)	7750
Sunflower Seed	5388	Jute	3700

Table 1:- Minimum Support Price of Commodity (2018-19)

Table1 is showing the minimum support price of 24 crops of 2018-19. [5]

B. Objectives of MSP[6]

- To protect fall in the price in the situation of over production.
- To protect interest of farmers by ensuring them a minimum price for their crops in the situation of a price fall in the market.

- To support in cropping pattern.
- To meet the domestic consumption requirement.
- To maintain one price of commodity in whole country.

IV. ANALYZE THE RELATIONSHIP BETWEEN MSP AND CROP PATTERN

This section describes the source of data from which wheat, paddy, maize, arhar (tur), gram, rapeseed/mustard, groundnut' minimum support price in rupees and production in thousands ton were obtained from Directorate of Economics and Statistics, India for the period of 2000-01 to 2018-19. Python used for making relationship between minimum support price and selection of crop accordingly.[7]

A. Steps taken to analyze the relationship.

- Selected 7 crops for study out of 24 crops. Selection is based on the MSP in year 2000-01 and 2018-19. In selected crops, some crops have better increment in MSP.
- We also obtained production data for same crops for same period.
- After that we use python to make relationship between two values and try to find out the relationship.

B. Analysis.

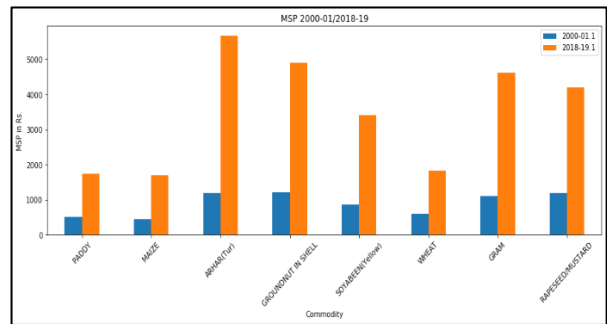


Figure 1- MSP 2000-01 Vs 2018-19

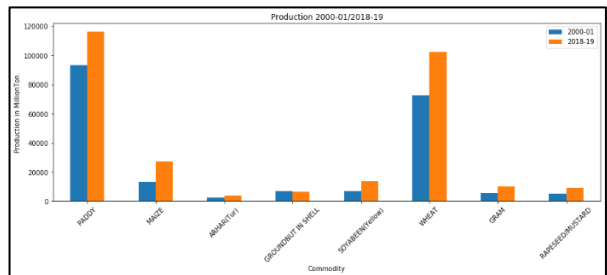


Figure 2- Production 2000-01 Vs 2018-19

After comparing fig1 and fig2 there are following observations:

- MSP of paddy and wheat is comparatively less than other crops. But their production is higher than others.

- Production of paddy and wheat is meeting domestic consumption requirement.
- Crop selection is not according to the MSP.

V. CONCLUSION

This paper clearly shows that farmer is not selecting crops according the MSP of crops. When farmer select crop according to the MSP of crop then definitely his income will be increase. In this paper we consider only MSP as a crop selection parameter. In future predictive analysis method can be suggest for selecting crop pattern according to MSP.

VI. REFERENCES

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