

A Study of Wheat Production and Minimum Support Price (MSP) in Rajasthan



Praveen Sharma
Associate Professor,
Deptt. of EAFM,
University of Rajasthan,
Jaipur



Kailash Saini
Research Scholar,
Deptt. of EAFM,
University of Rajasthan,
Jaipur

Abstract

Agricultural price policy has important role in the pricing for the crops in India. Wheat is main crop of the India and in the wheat production its stands 2nd position in the world. Wheat is the most state-protected crops and underlies the livelihoods of the millions of farmers. So, there is no work in wheat production and MSP in Rajasthan. The study is examines the MSP for wheat production, relation with the international price and MSP in India and know the wheat production in the Rajasthan. MSP has to promote the farmers investment in crops production and food security among the people. Finally the study concludes that glimpses of possible positive impacts of MSP on farmers income, so the MSP framework been implemented properly.

Keywords: Agriculture, Wheat, Production, MSP and International Price.

Introduction

Agriculture has a large sector of the country and its play vital role in economic development. In India agricultural production has most important for the food, farmer's income and agro related activities. In Indian agriculture the wheat is the main cercal crop. The total area of the wheat production is about 29.8 million hectares in the country. India has stands at second position in wheat production in the world. Wheat is an important Rabi crop, which is grown between September and December and harvested between February and May. Rajasthan is the fifth largest state in wheat production in India. The support price for the wheat crop has decided by the Indian government, it's called Minimum Support Price (MSP). 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 on India at the beginning of the sowing season for certain crops on the basis of the recommendations of the commission for Agriculture Costs and Prices (CACP). MSP is fixed price by Government of India to protect the producer, farmers against excessive fall in price during bumper production years. The minimum support prices are 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. 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 purchase the entire quantity offered by the farmers at the announced minimum price.

The Price Support Policy of the Government is directed at providing insurance to agricultural producers against any sharp fall in farm prices. The minimum guaranteed prices are fixed to set a floor below which market prices cannot fall. Till the mid 1970s, Government announced two types of administered prices:

1. Minimum Support Prices (MSP)
2. Procurement Prices

MSP is view as a form of market intervention by the central Government and as one of the supportive measures to the agriculture producers. This has also a strong linkage to factor market. The agricultural price support system of India has been a government of India initiatives since 1965. Protect the interests of the farmers against any sharp decline in agricultural prices. The price support system was expected to help the farmer after the harvesting period, which is associated with high probability of the agricultural prices deafening due to surplus stock in the market. The

government throws the MSP to cover the cost of production as well as ensures certain profit margin to farmer. MSP is fixed and announced every year by the Central Government on the recommendations of the Commission for Agricultural Cost and Prices (CACP). In addition to the MSP announced by Central Government, the State Governments also declared a bonus, over and above the declared MSP so as to promote agriculture practices in the states. The quantum of this bonus varies from state-to-state and from crop-to-crop.

Commission for Agricultural Cost and Prices (CACP) recommends MSP for agricultural crops in India, which includes paddy, wheat, cotton, oilseeds, pulses etc. As a result throughout India, large land areas shifted from the cultivation of pulses, oilseeds and other commercial crops to paddy and wheat in anticipation of sure profit.

Objectives of the Study

1. To know the relationship between international price and MSP.
2. To evaluate the current status of MSP in Rajasthan for Wheat.
3. To analyse the proportion of Rajasthan's wheat production in India.

Research Methodology

The study used secondary data for analysis according to the objective set out in the study. The Secondary data were collected from journals, articles, websites and subject books. Simple frequency tables and charts were constructed for the purposes of analysis of data.

Review of Literature

NITI Aayog (2016) examined in this report that the MSP is an important policy of the government to determine the price of the major agriculture produces the every year for protecting the farmers from the middlemen and fluctuating conditions of the market. The MSP has succeeded in the providing Floor rate for the major crops like paddy and wheat and other crops. In the report also included that MSP has been playing a critical role in the stabilizing market prices in addition to helping the beneficiaries in adoption of modern technologies in the farming.

Singh, et al (2015) concluded that the government's intervention to support price agriculture and farmers price of the India by introducing MSP has been lumbering on for decades, there are no evident signs of it doing adequately enough. In this study has tried to examine the effectiveness of MSP on income of farmers of chittorgarh district of Rajasthan and found that MSP for wheat did not affect much the farmers in the area. Farmers not aware of the support price of the wheat and other crops.

Prasanna , Kuruppuge and Bulankulama (2012) examined that the likelihood factors affecting on farmers higher gain from paddy marketing in the North central province of Sri Lanka where the main paddy cultivation area of the country. The study found that the imperfections of existing paddy marketing system in the area due to concentrated market power among few oligopolistic buyers so that the farmer sale

their paddy crop production in the good price and now in the market need of the reviewing the role of government extension service and farmers organization for the paddy marketing.

Kumbhar, concluded that in his paper the MSP and SMP were not only of the significant determinants of agriculture production in India. Area of the cultivation and productivity of the crops were more important of the factor in the India. The government should focus on the policy on how to increase the crop production.

Verma (2006) concluded that farm mechanization enhances the production and productivity of the different crops due to suitability of operation and accuracy in the application of the inputs.

Kamlakar (2006) concluded that the productivity growth and shift in cropping pattern were major factor that accounted for the growth of the crop output in the Maharashtra state. In state the production of the crops as much good impact of the cropping pattern.

Relationship between MSP and International Price

The MSP based on the cost of production has two major advantages. Firstly, it is that ensures producers do not suffer any loss and also get equal price on selling their produce. Secondly, it is the cost of production also captures the market trend to the extent that it reflects the changes in the wage rate and input prices. It also includes price equality, demand and supply, effect on the industrial cost structure, cost of living, international price situation and the implication on food subsidy. When the decision on MSP value was based on the cost of production, the impact of MSP on national food grain stocks and net trade follow soft year-on-year fluctuation. It is the difference in the price of Indian MSP and international price level. It is not necessary that rise in international price would mean the cost of production had increased worldwide and MSP needs to rise as well and vice versa.

Table 1 presents the international price and MSP of wheat in India during the years 2001 to 2017. The international price of wheat was seen to be less than MSP in India during 2001 to 2002. The international price on a declining trend and CACP recommending increasing of MSP, the Government had already accumulated more than the required stock in their buffer stock. During 2000-2001, MSP was raised again and was already too high for CACP to recommend any further hike in MSP. The domestic price of wheat was way higher than the international price till 2001-02, which closed the doors any wheat export even when there was surplus wheat in the country. During the financial year 2002-03, the international price of wheat (747) was higher than the MSP of wheat (620) in India. The continuous rise in the international prices over the years developed a gap between the international price and MSP for wheat as the rate of increase in MSP during these years did not match the international pattern. In 2007, the price disparity between international price and MSP created a strong pressure on the Indian

Periodic Research

Government to bring price equality between domestic and international prices of wheat. The various farms groups in India campaigned for the increase in MSP

of wheat by the Government in order to support domestic and international prices to provide fair conduct to farmers of India.

Table: 1 Relationship between International Price and MSP in India

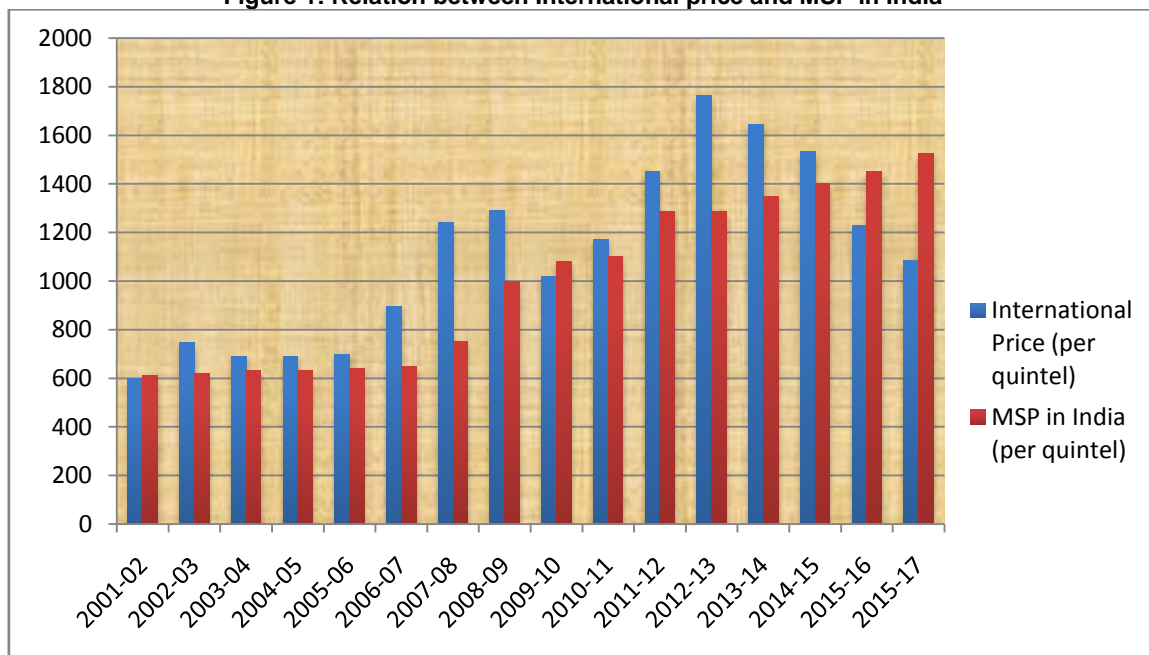
Year	International price (per quintal)	MSP Price in India (per quintal)	Year	International Price (per quintal)	MSP Price in India (per quintal)
2001-02	597	610	2013-14	1643	1350
2002-03	747	620	2014-15	1532	1400
2003-04	691	630	2015-16	1228	1450
2004-05	691	630	2016-17	1084	1525
2005-06	699	640			
2006-07	896	650			
2007-08	1241	750			
2008-09	1290	1000			
2009-10	1017	1080			
2010-11	1173	1100			
2011-12	1453	1285			
2012-13	1762	1285			

Source: IMF, CACP and RBI

Continuous increase in MSP while ignoring the cost of production and domestic market price led to increase in buffer stock with the Government. The increase in buffer stock led to a decline in per capita availability of cereals as most of the produce filled up the Government Stock rather than being sold in the open market. This had an adverse impact on the consumption pattern of people as in the market

cereals became a scarce commodity. Cereal stocks became an issue for the Government as the financial implications associated with stocking huge amount of cereals were quite high. The Government had to take desperate measures like export subsidy to bring the stock levels down. The impact of export subsidy saw great boost in exports for the next few years, which could only last till the subsidy was in place.

Figure 1: Relation between International price and MSP in India



After 2012, the international prices of wheat again started showing an increasing trend while the MSP was not increased in equality. In 2012-13, the international price for wheat reached Rs1762 per quintal while the MSP was covering way behind at Rs1285 per quintal. This huge difference between the two prices for wheat again created strong demands on the Government to bring price equality between MSP and international price. In the year 2015, the Government raised the MSP by 12.84 percent (from

Rs1285 to Rs1450) to procure more in order to increase the buffer stock of food grains. But international price for wheat is decrease with the domestic price behind by Rs222. The increase in MSP was so high that it left little scope for the Government to further give a bonus on the MSP. CACP justified the hike by claiming it to be in line with the international prices.

CACP recommended an increase of 5 percent to MSP for the year 2016. International price

of wheat has decreased by 11.18 percent from 2016 to 2017. During 2016-17, the MSP has higher than the international price. Therefore, the relationship between international price and MSP of wheat over the years, clearly indicate that when MSP was higher than the international price, it lead to increase in buffer stock but when it was lower, there was an increase in export of food grains. So, MSP has a direct impact on the export of food grains from the country.

Current Status of MSP in Rajasthan (Wheat)

The State of Rajasthan was the fifth largest wheat producing State of India in 2015-16. The MSP announced by the central government in the financial year for around 30 crops. In the wheat production Rajasthan has fifth largest state in India and the state

government also given on bones on the MSP. The bonus provided by individual State Governments to its farmers, which is added over the centrally declared MSP. Bonus is provided to promote agriculture production in states and also to incentivize the cultivation of food grains by the farmers. The current status of MSP in Rajasthan in during the year 2012-13 was Rs.1285 per quintal and then after in 2015-16 the MSP is 1450 per quintal it is increase with the Rs.165. Resent the central government announced the MSP for 2016-17 is Rs.1525 per quintal it is increased with the Rs.75 per quintal. The MSP is the support the farmers in Rajasthan for the wheat production and given good price for their production and also increased the production capacity of the farmers in the state.

Production of wheat in Rajasthan
Table: 2Wheat Production in India's Major States

S. No.	States	Production (lac metric tonnes)	Area (lac hectare)	Yield kg/ hectare
1	UP	300.01	96.37	3113
2	Punjab	164.72	35.10	4693
3	Haryana	116.30	25.15	4624
4	MP	76.27	43.41	1757
5	Rajasthan	72.14	24.79	2910

Source: <http://listz.in/author/bhakti>

Wheat is the main cereal crop in India. The total area under the crop is about 29.8 million hectares in the country. India stands at 2nd position in wheat production in the world and in the year 2015-2016, wheat production crossed the mark of **95 Million tonnes during this year**. Wheat is a principle crop and major food for the greater part of the people in Rajasthan. The area under wheat cultivation, in the state, increased from 2.2mn hectare to 3.5mn hectare between 2000-01 and 2014-15. In Rajasthan wheat is grown in more than 24.79lac hectare of the area in the state and accounts for more than 8% of total wheat production in India. Rajasthan produces more than 72 lakh metric tonnes of wheat and owns wheat productivity of more than 2900kg per hectare. The percentage share of land contribution in India's total land had increased by 1.53 percent during the same period 2015-16. Rajasthan in terms yield stands

fourth, behind Punjab, Haryana and Uttar Pradesh but in production it is a fifth state in India. Rajasthan is the fifth largest wheat producer in India after Uttar Pradesh, Punjab, Madhya Pradesh and Haryana which are the state's largest contribution in wheat production in India. During 2015-16 highest production in Uttar Pradesh and its contribution 300 lac metric tonnes wheat produces in 96.370lac hectare area this part of production is share of 34% of total wheat production in India, Punjab's contribution164.720 lac metric tonnes in the 35.10 lac hectare area and this production is 18% share of total wheat production in India. Haryana is produces 116.30 lac metric tones in 25.150 lac hectare cultivated areas. Madhya Pradesh is produces 76.271 lac metric tonnes in 43.410 lac hectare cultivated areas.

Figure 2: Wheat Production in India's major States

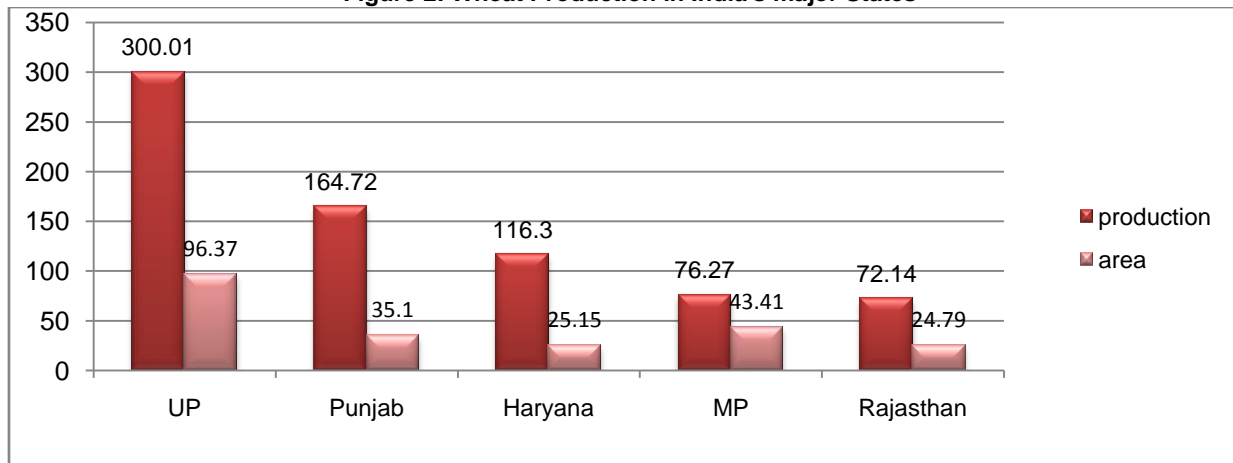
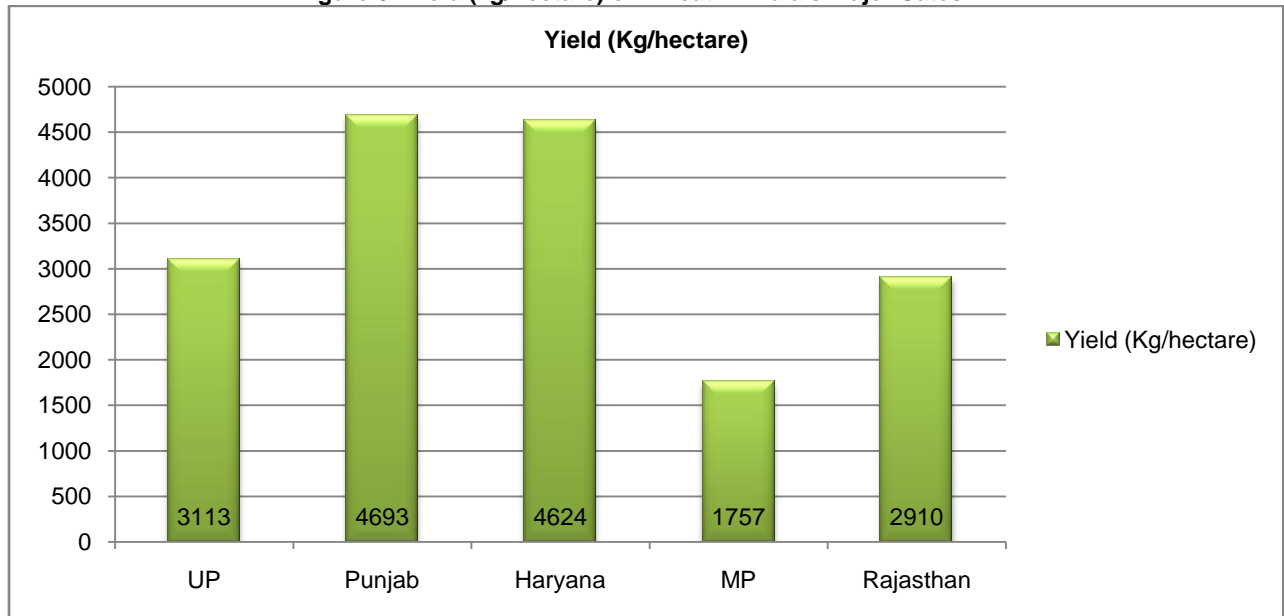


Figure 3: Yield (kg/hectare) of Wheat in India's Major States

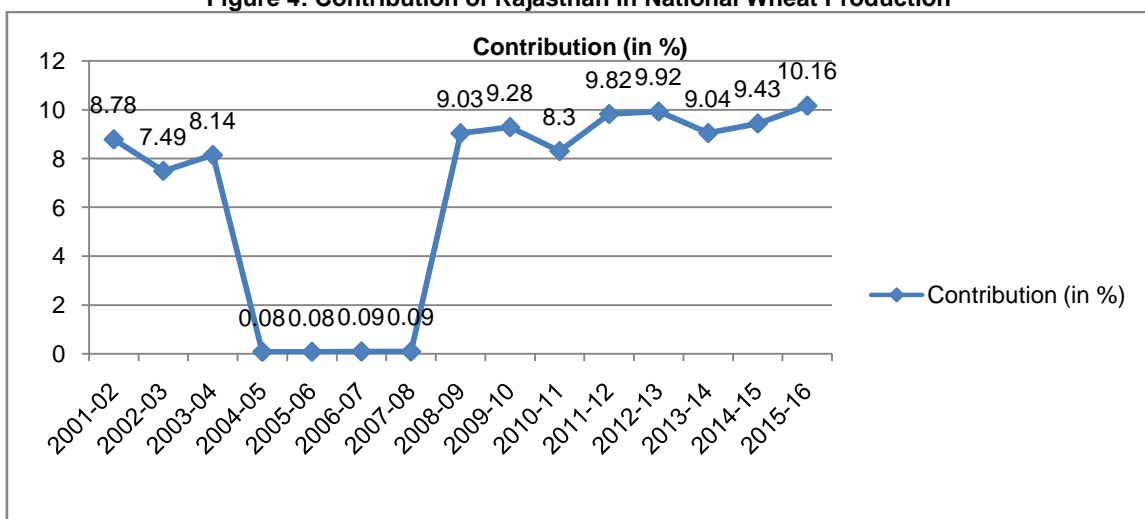


Production, Procurement of Wheat and Rajasthan's contribution in national wheat production
Table 3: Rajasthan's Contribution to National Wheat Production (thousand tones)

Year	India	Rajasthan	Share of Rajasthan (%)
2001-02	72766	6389	8.78
2002-03	65096	4878	7.49
2003-04	72156	5878	8.14
2004-05	68637	57	0.08
2005-06	69355	59	0.08
2006-07	75807	71	0.09
2007-08	78570	71	0.09
2008-09	80679	7287	9.03
2009-10	80804	7501	9.28
2010-11	86874	7215	8.30
2011-12	94882	9320	9.82
2012-13	93507	9276	9.92
2013-14	95850	8663	9.04
2014-15	95765	9032	9.43
2015-16	93500	9500	10.16

Source: India State 2016

Figure 4: Contribution of Rajasthan in National Wheat Production



The contribution of Rajasthan's wheat production in national wheat production in the year 2001-04 is around 8.50% but during the 2004-08 the production is very poor in the national level that percent is 0.08% to 0.09% in total national production. During the period from the financial years 2009 to 2015 the production has in optimal position and its share in national production is around the 9%. The data collected for the financial year 2015-16 shows the significant increase of around 1% in national production share to be at 10.16%.

Suggestion and findings

1. The awareness is about the MSP among the farmers so they sold our wheat production in the good and support price.
2. In the calculation of the MSP the farmer's contribution has very important because they know about the actual cost of production and they can help for both side government and public.
3. The farmer's use of the optimal wheat varieties for cultivation and adopting new technologies, scientific ways of farming now they have to increase in the wheat production.
4. Increasing in the yield levels for the production its turn the increase in income levels of farmers.
5. The farmers need to link with the financial institutions for the requirement credit for the production. The financial institutions have directly protected their interests for local money lenders.
6. The linkages are the farmers with community associations, NGOs, farmer bodies, gram panchayats and the civil societies. They all are the help of their in the implemental of the government schemes, especially the MSP and sharing the knowledge of technology and how to increase productivity?
7. The government providing the good quality seeds, fertilizer, electricity at reasonable prices and subsidy provide for cultivation, which can help minimize the cost of production.

Conclusion

Agriculture crop production is the major need of the society and support price is major need for the crop production. The government is concern to support agriculture productivity and farmers income of India by the MSP. The study examines the effect of the MSP on the agriculture production and the farmer's income. The study has covered the wheat production in Rajasthan and the minimum support price for the wheat in Rajasthan. It is observed that the wheat production in the state has good and bad condition. During the 2001 to 2004 the wheat production has fever to state but after the 2004 and up to 2009 the production had not good because the state climate and monsoon had not good that the years. During the 2010 to 2015 the period has to good for the wheat production and also increase the production rate of wheat it is the good signal of the state agriculture productivity. The increase in the production that is the better investment in agriculture by the farmers and their earning much good in the period and they receive for good price for their production.

The study found that MSP for wheat did not much affect farmer's income. Farmer were neither not aware of the support system and the way it worked and nor prices of wheat at which the Government procured wheat, the MSP. The awareness on Mandi was also low. These are clear indication of the persisting lacunas in the overall structure of the government agriculture support system and especially in its implementation. That also agriculture cost of inputs have increase day by day so effect on the productivity and the farmers not earn good profit on the sale our crops. So that the impact has good and bad both are in the agriculture sector.

Finally the study concludes that glimpses of possible positive impacts of MSP on farmers income, so the MSP framework been implemented properly. Farmers affirmed on selling their produce at prices much lower than MSP or fair prices at Mandi due to lack of knowledge, information and awareness. Although factors contributed to the farmers decisions, a lot of them could have been avoided if MSP framework was designed efficiently and effectively to reach the last mile. In the agriculture have important both side production and MSP. When in the increase in the production this time the government has good support price for the production and farmers get has good earn on their own production.

References

1. Asseng (2013), "Uncertainty in the simulating wheat yields under climate change. *Nature climate change*".
2. Commission for agriculture cost and price, 2014
3. Coventry, D R, Gupta, R K Yadav, A Poswal, R S, Chhoker, R S, Sharma, R K and Cummins, J A (2011), "Wheat quality and productivity as affected by varieties and sowing time in Haryana", *India field crops Research*
4. *Economic survey of Rajasthan, statistical appendix (2012-13)*
5. Foster, A D and Rosenzweig M R (2010), "Barriers to farm profitability in India: Mechanization, Scale and credit markets".
6. Hooda s, Yadav, Manoj and Kalubarme, M H (2010) "Wheat production estimation using remote sensing data: An India experience" *ISPRS archives XXXVI-8 / w48 workshop proceedings: Remote sensing support to crop yield forecast and area estimates*.
7. IRADE report (2007), "Extension of MSP: fiscal and Welfare implications, "A study for the planning commission".
8. Kamlakar Shrikant S (2006), "Agriculture Development and Sources of Output Growth in Maharashtra state, Occasional paper, Gokhale Institute of Politics and Economic, Pune.
9. Key Indicators of Situation of agricultural Households in India, "NSSO 70th round, January-December 2013, national sample survey of office, Ministry of statistics and Programme Implementation, Government of India.
10. Kumbhar Vijay, "Impact of MSP, AUC and Productivity on Overall Production of Selected

Crops in India: A study," National Monthly Refereed Journal of Research in Commerce and Management.

11. Ministry of agriculture, Government of India
12. Mumbai murthy, R V Ramana and Misra, Rekha (2012), "pricing of paddy: A case study of Andhra Pradesh" Department of economic and policy research, Reserve Bank of India, Mumbai.
13. NITI Aayog (2016), "Evaluation Study on Efficacy of MSP on Farmers", Report of Development Monitoring and Evaluation Office, Government of India, New Delhi.
14. Prasanna, Kuruppuge and Bulankulama (2012), Factors Affecting Farmers Higher Gain from Paddy Marketing: A Case Study on Paddy Farmers in North Central Province, Sri Lanka, International Journal of Agricultural Management and Development, VOL 2.
15. Ramesh, (2009), "MSP and other interventions in wheat market: are they contributing to the buffer stock cycles and market destabilization?"
16. Serving farmers and saving farmers, fifth and final report, 04 October 2006, National commission on farmers, Ministry of Agriculture, Government of India.
17. Singh Rohit, Maatha, S Udai, (2015), "MSP & Farmers income (A case study for Wheat Prodction in Chittorgrah, Rajasthan (India), CUTS International.
18. Siddh, R S and Vatta, kamal (2012), "Effectiveness of minimum support price policy for paddy India with a case study of Punjab ", agricultural economics research review, vol.25(no.2) July-December 2012
19. Sidhu, M S and Singh, Gaganjot (2010), "A study on staggered public procurement of wheat in Punjab "Agricultural Economics Research Review Vol. 23 July-December 2010
20. Tripathi, Ashutosh kumar (2014), "Agricultural price and production in the post-reform India". Routledge.
21. Verma (2006), "Impact of Agriculture Mechanization on Production, Productivity, Cropping Intensity Income Generation and Employment of Labour, Status of Farm Mechanization in India", Published by Punjab Agricultural University.

Websites

1. Indiastates.com, 2014
2. <http://siteresources.worldbank.org>
3. <http://listz.in/author/bhakti>

Newspapers

1. Times of India
2. Rajasthan Patrika