

Procurement at MSP will surge under PM-AASHA, but won't fuel inflation

Normally, higher MSP alongside higher procurement can trigger inflation

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The Centre's procurement of oilseeds and pulses this year is expected to reach record levels, thanks to the new scheme PM-AASHA (Pradhan Mantri Annadata Aay Sanrakshan Abhiyan).

While nutri cereals or millets (maize, bajra, jowar and ragi) will be procured under the regular MSP operations of the Food Corporation of India, procurement of oilseeds will be through the PDPS (Price Deficiency Payment Scheme) scheme or PSS (Price Support Scheme) whichever the State opts for and procurement of pulses will be through PSS.

Further, the Private Procurement & Stockist Scheme (PPPS) will also be working in select eight districts of the country for procurement of oilseeds on a pilot basis.

Until last year, procurement in oilseeds was not significant (in 2017-18 crop season it was just about 1.97 million tonnes of the 30-31 million tonnes production). In pulses, though 2017-18 was a year of record procurement in absolute terms, it was still only 18 per cent of production (4.5 million tonnes).

The current year, however, may see a record procurement.

"All the procurement under PSS and PDPS will be up to 25 per cent

ANALYSIS

of the production in the State if prices are below the MSP," says Ashok Dalwai, Chairman, Committee on Doubling of Farmers' Income.

The line of credit for Nafed for procurement under PSS has been increased from ₹29,000 crore last year to ₹45,500 crore now.

Market prices of oilseeds including soyabean, groundnut and sunflower are ruling below MSP now.

Procurement operations have not begun in many States because of high moisture content in the crops and they do not match the FAQ (fair & average quality) stand-



ards. But market players expect this to start soon.

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MSP procurement

(in million tonnes)

	2017-18	Estimated for this year
Pulses	4.50	6.50
Oilseeds	1.97	7.75

Oil seeds and pulses have less weight in CPI

Weight in CPI (%)

Jowar and its products	0.23
Bajra and its products	0.11
Maize and products	0.06
Ragi	0.05
Total	0.45
Oilseeds	0.09
Food & beverages (total)	45.86

Enough storage space

Storage space is not an issue for higher procurement. The total godown capacity in the country is 165 million tonnes. Many small godowns that are not being used now can also be put to use, if need be, say insiders from the Ministry of Agriculture. Of about 25 million tonnes of production in pulses, the targeted 25 per cent procurement under PM-AASHA works out to 6.5 million tonnes.

In oilseeds — where the country produces around 31 million tonnes — the 25 per cent procurement will come to 7.75 million tonnes. Hence, storage should not be a problem. Also, as in PDPS, there is no procurement and only the difference between MSP and market price is paid, the pressure on warehouse infrastructure is less.

Normally, higher MSP along-

Impact on inflation

Across crops, there has been an increase in MSP for the current season. While in groundnut and soyabean it is about 10-11 per cent, in sunflower seed it is 31 per cent. Among pulses, moong has seen the steepest rise of 25 per cent.

Under PM-AASHA, while the procurement should increase, commodities which will be purchased through the new scheme are only one segment or one portion of the food basket of CPI. While the total weight for food and beverages in consumer price index (CPI) is 45.86 per cent, the weight for pulses is 2.38 per cent, the weight for oil seeds is 0.09.

Within the CPI baskets, it is vegetables and fruits which have a large weightage — they make for 8.93 per cent of the index. But here, prices have been falling due to surplus production.