

# MSP revision to benefit farmers: India Ratings

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The government's move to increase the minimum support price (MSP) for 14 kharif crops, officially declared last week, will partially benefit farmers, finds a study by rating agency India Ratings and Research (Ind-Ra).

In the analysis, Ind-Ra looked at the agricultural gross value added in MSP for rice and wheat as a proxy for agricultural growth. It considered growth in agricultural wages as a proxy for an increase in input prices between 2003-04 and 2017-18.

Between 2003-04 and 2007-08, the rural economy faced low wage growth and high growth in agricultural output, which meant farmers earned higher margins.

Whereas from 2008-09 to 2012-13, there was a relatively similar growth rate in agricultural output but a higher rural wage growth rate eroded some of the gains that farmers had received in the previous period.

On the other hand, since 2013-14, there has been moderate growth in agricultural output, "indicating thin margin growth for agricultural activity," says Ind-Ra.

Between 2009-10 and 2012-13, margins for farmers increased significantly but has fallen since 2013-14. For rice farmers, their margins increased 82.3 per cent in 2009-09 to 2012-13, and fell to 38.6 per cent during the following period. In 2014, the government announced that it would revise the MSP for crops on the basis of adding 50 per cent to the costs as suggested by the National Commission on Farmers.