

BEARISH SIGNALS

When minimum support price is only on paper

For the Modi government and farmers, it's not MSPs for rabi, but below-MSP rates for kharif crops now being marketed, that should really worry

HARISH DAMODARAN
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PROMISING SOMETHING is much easier than having the capacity to deliver. This is a reality that the Narendra Modi government may have to reckon with in the current kharif marketing season itself, even as it has announced a fresh round of minimum support price (MSP) increases for the about-to-be-planted rabi crops.

Farmers have already started bringing their freshly-harvested kharif crops of moong (green gram), urad (black gram), bajra (pigeon-pea) and short-duration paddy varieties, besides early pickings of cotton, into the mandis. Peak arrivals will happen, though, only after the middle of this month. But even before that, almost all kharif crops are selling at well below their declared MSPs.

Take, for instance, bajra. This coarse grain is quoting in major markets across poll-bound Rajasthan at Rs 1,250-1,350 per quintal, as against the MSP of Rs 1,950 announced by the Modi government. Jowar, likewise, is trading in Jalgaon, Latur, Sholapur and other centres of Maharashtra at Rs 1,200-1,400 per quintal. Its MSP was handsomely raised from Rs 1,700 per quintal in 2017-18 to Rs 2,430 for this season, just as that of bajra was, from Rs 1,425 to Rs 1,950.

Even more revealing is ragi or finger-millet. This crop's MSP was hiked by 52.5 per cent — from Rs 1,900 to Rs 2,897 per quintal. But its current average modal price at Davangere and the Nagamangala market of Karnataka's Mandya district — according to data from the Union Agriculture Ministry's own agmarknet.in portal — is in the Rs 2,100-2,200 range. In the case of kharif pulses — arhar (pigeon-pea), moong and urad — the ruling market rates are below not only their latest, but even the 2017-18 and 2016-17 MSPs of Rs 5,450 and Rs 5,050/quintal, Rs 5,575 and Rs 5,225/quintal, and Rs 5,400 and Rs 5,000/quintal, respectively (see accompanying table).

The only crop that, as of now, is selling at just around MSP levels is cotton. One reason for that is the tight domestic supply position and greater prospect for exports.

The Mumbai-based Cotton Association of India, on Wednesday, estimated the new season from October 1 to open with 23 lakh bales of stocks with mills, ginners, exporters and other traders. This is as compared to the preceding two seasons' opening stocks of 36 lakh bales (lb) and 36.5 lb, respectively. India produced 337.25 lb of cotton in 2016-17 and 365 lb



Will they get the government's MSPs this time? Express Archive

MINIMUM SUPPORT PRICE VERSUS MARKET PRICES (Rs per quintal)

CROP	MSP	CURRENT MARKET PRICE
Bajra	1950	1350 (Jaipur, Rajasthan)
Jowar	2430*	1300 (Jalgaon, Maharashtra)
Maize	1700	1400 (Davangere, Karnataka)
Ragi	2897	2200 (Nagamangala, Karnataka)
Arhar/Tur	5675	3400 (Latur, Maharashtra)
Moong	6975	5200 (Pali, Rajasthan)
Urad	5600	2900 (Tikamgarh, MP)
Groundnut	4890	3750 (Gondal, Gujarat)
Soyabean	3399	2990 (Ujjain, MP)
Nigerseed	5877	3900 (Dindori, MP)
Sunflower	5388	3700 (Chitradurga, Karnataka)
Cotton	5150**	5150 (Sriganganagar, Rajasthan)

*Hybrid; For Maldandi jowar, it is Rs 2,450

**Medium Staple; For Long Staple cotton, it is Rs 5,450.

Source: Ministry of Agriculture and agmarknet.gov.in.

in 2017-18. This year's production is likely to be lower mainly due to drought conditions in Gujarat, the country's largest producer.

The other bullish factor favouring cotton could be export possibilities, especially to China. Its ongoing trade tensions with the US, and the slapping of a 25 per cent duty on imports of the fibre from the latter, may lead to increased sourcing from India. India's cotton exports amounted to 58.21 lb in 2016-17 and 69 lb in 2017-18. Trade sources see a five-fold jump in Indian shipments to 40 lb, to China alone, this year.

Those similar hopes — of China buying more from India, in order to offset cut-backs in purchases from the US — haven't materialised yet, though, in soyabean. The oilseed, a major crop grown in Madhya Pradesh (which is also going for Assembly polls in just over a month), is now fetching less than Rs 3,000 per quintal in Ujjain. This is again below the current MSP of Rs 3,399 per quintal and also the Rs 3,050 for 2017-18.

"The negotiations are going on between the two governments to ease quarantine restrictions (relating to about 12 pests and diseases) imposed by China on Indian soyabean and meal. But there has been no breakthrough so far and nor have Chinese buyers visited any of the solvent extraction-cum-processing plants here," said an official from the Indore-based Soyabean Processors Association of India. In event of the Chinese market not opening up soon, the ultimate loser would be the soyabean grower in MP, Maharashtra and Rajasthan.

The other significant crop that has been arriving in the mandis of Haryana and

Punjab is Pusa-1509, a short-duration basmati paddy variety. About 10 days back, it was being traded at Rs 2,650-2,700 per quintal, but has since fallen to Rs 2,300-2,400 levels. The main triggers for this have been grain quality issues on account of crop damage from unseasonal rains last week — and also uncertainty over Iranian purchases, post the recent US trade sanctions against the Islamic Republic.

"Prices of par-boiled rice from the new Pusa-1509 crop have come down in the last 10 days, from Rs 5,100-5,200 to around Rs 4,700 per quintal. There has been a decline even for white steamed rice from Rs 6,300-6,400 to Rs 5,900-6,000. This will naturally reflect in the prices paid for paddy as well," a leading basmati miller-cum-exporter told *The Indian Express*.

What all this simply translates into is the fact that while announcing MSPs for crops and fixing these at over 1.5 times their estimated production costs — the so-called Swaminathan formula — is easy, actual implementation on the ground isn't at all so. The only two crops where the MSPs seem realistically implementable are paddy and cotton. In paddy, because there is assured government procurement: Out of India's estimated 112.91 million tonnes rice production in 2017-18, as much as 38.18 million tonnes was bought by the Food Corporation of India and state agencies. In the case of cotton, farmers are likely to get MSPs this time only because of the market, not the government.

But in all other crops — including the likes of ragi, sesamum, nigerseed and sunflower — the MSPs will probably remain just on paper.