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Characterisation of MSP and market price of major crops

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Abstract

The minimum support price (MSP) is an administered agricultural product price established by the GOI to purchase directly from farmers, depending on a wide variety of monetary and non-price features. MSP is fixed on the recommendations of the Commission for Agricultural Costs and Prices (CACP), an apex advisory body for governing pricing policy under the Ministry of Agriculture. MSP's effectiveness takes towards totally new meaning. The Terms of Trade were against agriculture until the mid-sixties, then turned somewhat in favour of agriculture for a brief period in the late sixties and early seventies, only to turn back against agriculture in the late seventies and early eighties. The Agricultural Prices Commission's (APC) primary focus was on lowering price change in food grains to protect consumers from price increases, offering price incentives to farmers and encourage producers to use new technologies.

Keywords: MSP, GOI, CACP, APC, policy

Introduction

The technological transition was a step toward addressing the food crisis that challenged the country's food security at the time. It was proposed at the time that technology progress alone might not be enough to bring the requisite vitality to the agricultural sector's expansion, and that it needed to be accompanied with sufficient institutional support. A number of institutional reforms were implemented to complement and stimulate growth. In the early 1970s, land reforms were modified as a first step to usher in the second phase. The second phase in the institutional transformation process was agricultural administration and extension. This was complemented by the improvement of the agricultural education system. The banking industry experienced a transformation via nationalisation as the next critical step, with a renewed focus on priority sector lending. The most crucial step after that was the decision to develop an agricultural price policy that would encourage the anticipated expansion through price incentives. The Government of India created a committee to deal with the necessary measures toward organising the country's agricultural pricing policy in order to better understand and develop a proper price policy framework.

MSP

Minimum Support Price (MSP) is average price of selected agricultural products recommended by the Commission for Agricultural Costs and Prices (CACP) and is fixed by the government of India. The prices are determined on the basis of cost of production, expenses and other charges given by the farmers for production of agricultural product. For sugarcane production CACP recommends Statutory Minimum Price (SMP) it is minimum statutory price of sugarcane the state government can offer more than SMP.

Research Method

This study was carried out during 2021-2022 in Prayagraj district of Uttar Pradesh as agriculture is the main occupation of the district. A purposive multistage sampling procedure was adopted for selection of the sample farmers. In the first stage district Prayagraj was selected based on the highest net cultivated area under cultivation. Chaka block of the district from Yamunapar area was selected purposively for the study because of nearest to Prayagraj city. The percentage of farmers were slightly more in number as compared to other parts of Prayagraj district, researcher is also conversant with the language, geography and other aspects of the area and majority of the farmers were cultivating major crops. The sample of 120 farmers were selected and interviewed randomly for the purpose for the study. The Primary data were collected with the help of survey schedule specially prepared. The information pertaining to awareness about MSP, level of income, cost of cultivation, marketing cost,

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market price of input and output, etc., were collected from the sample farmers and the secondary data pertaining to the area of crops under study, time series data of MSP and market prices during the last seven years 2012-20, of the selected crops were collected from the District Statistical Offices (DSO). Data were also collected from the reports of the CACP, Department of Agriculture and Cooperation, Ministry of Agriculture, Government of India, New Delhi.

Result and Discussion

Distribution of relationship between MSP and market price of major crops

To know the effectiveness of MSP the relationship between MSP and market prices was worked out including growth of MSP and market price, relationship between MSP and market price, percentage change in MSP of major crops and deviation of market price from MSP.

The compound growth rate of market prices in Chaka market regression coefficients pertaining (Table 2) shows that growth rate of market price is highest in redgram (11.35), whereas market prices of bengal gram has registered less growth rate

(6.13). The growth rate in market price of paddy common (3.56) and paddy fine (4.60) is very low. The growth rate of market prices of all the crops in the markets is statistically significant. The deviations of market prices from MSP for different crops in Chaka market were calculated and presented in (Table 3). In case of paddy common, the total number of months with positive deviations were 109 (90.8%), ranging from Re. 1.00 to Rs. 543.00, with average of Rs. 241.00, whereas the total number of months with negative deviations were 11 (9.2%), ranging from Rs. 5.00 to Rs. 740.00 with an average of Rs.118.2. Total months with positive deviations were highest in paddy common (109), redgram (108), bengal gram (105), and paddy fine (64). On the other hand total months with negative deviations were highest in paddy fine (56) followed by bengal gram (15), redgram (12), paddy common (11). In case of paddy fine, total months with positive deviations were marginally higher (53%) than that of months with negative deviations (47%). The total number of months with negative deviations was high during peak period whereas the number of months with positive deviations was high during lean period.

Table 1: Distribution of Change in MSP of major crops (2012-20) in percentage

Sl. No.	Year	Paddy Common	Paddy Fine	Redgram	Wheat	Bengal gram
1	2012-13	1.8	1.7	0.7	3.7	3.3
2	2013-14	1.8	1.7	2.2	3.5	2.4
3	2014-15	1.8	1.6	0.7	5.1	10.2
4	2015-16	11.2	9.6	9.0	6.7	14.2
5	2016-17	5.3	4.9	23.3	6.7	10.0
6	2017-18	8.0	7.2	6.3	6.0	5.5
7	2018-19	11.8	10.2	13.0	2.5	4.6
8	2019-20	31.8	23.3	22.5	2.0	2.5

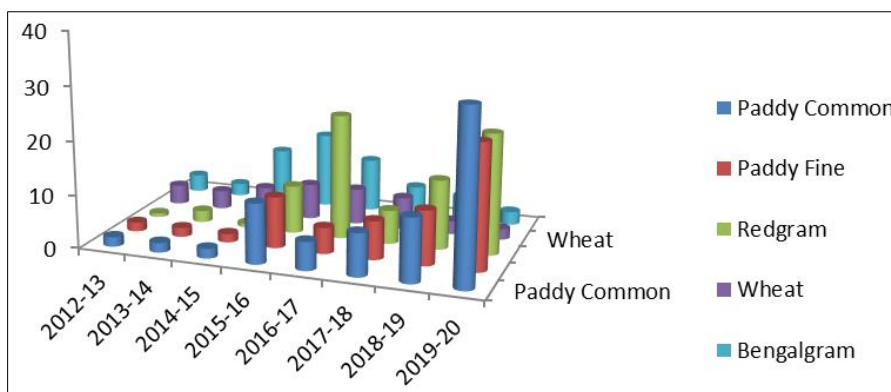


Fig 1: Change in MSP of major crops (2012-2020)

Table 2: CAGR of MSP and market price of major crops (2012-20)

Sl. No.	Crop	MSP (2002-2012)	Market price (2002-2012)	
			Chaka	
1.	Paddy Common	8.99**	3.56*	
2.	Paddy Fine	8.62**	4.60***	
3.	Redgram	10.96***	11.35**	
4.	Bengalgram	7.54*	6.13*	
5.	Wheat	7.56**	8.20**	

Table 3: Deviations of monthly average market price through MSP in Chaka market (2012-20)

Sl. No.	Crop	Total No. of months	Positive Deviations				Negative Deviations			
			No. of months	%	Average (Rs./q)	Range (Rs./q)	No. of months	%	Average (Rs./q)	Range (Rs./q)
1.	Paddy Common	120	109	91	241.00	1-543	11	91	118.20	5-740
2.	Paddy Fine	120	64	53	29.00	1-241	56	47	55.00	1-109
3.	Redgram	120	108	90	663.00	9-2980	12	10	497.00	3-1880
4.	Bengalgram	120	105	87	532.00	5-2453	15	12	396.00	1-658

Conclusion

Based on the findings it was observed that the increase in MSP was not even handed to all the crops and hence there is need to bring some improvement in the price policy to different crops in ensuring highest returns to the farmers to continue their production with the increasing cost of inputs especially the crop like bengalgram. Even with advancement in ICT, still very less proportion of farmers were aware about MSP. There is need to increase awareness among farmers community through different mass media and the sources like Department of agriculture and marketing committee.

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