

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## India

**Post:** New Delhi

### **Government Defers Decision on Support Price of Wheat**

**Report Categories:**

Grain and Feed

Oilseeds and Products

Policy and Program Announcements

Trade Policy Monitoring

Agriculture in the Economy

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**Report Highlights:**

The government raised the minimum support price (MSP) for selected upcoming *rabi* (winter harvested) crops for the Indian crop year (July-June) 2012/13. However, a decision on the MSP for wheat was deferred as the relevant ministries disagreed on the Commission of Agriculture Cost and Prices recommendation to freeze MSP at last year's level.

## General Information:

### Government Raise Support Price for Rabi Crops, Defers Decision on Wheat

On November 1, 2012, the Cabinet Committee on Economic Affairs (CCEA) approved the minimum support price (MSP) for certain upcoming *rabi* (winter harvested) crops for the Indian crop year (July-June) 2012/13 (MY 2013/14) based on the recommendations of the Commission on Agriculture Cost and Price (CACP). However, a decision on MSP for wheat was deferred despite CACP's recommendation of no increase in the MSP for wheat over MY 2012/13 level (Rs. 12,850 or \$238 per ton) to encourage farmers to plant more oilseed and pulse crops instead of wheat. Reports suggest that a fresh note on wheat MSP will be prepared to address the concerns of all stakeholders and discussed in the next CCEA meeting. Consequently, the decision on MSP on wheat for MY 2013/14 is likely to be delayed compared to last year (October 25, 2011).

**Table 1. India: Government of India Minimum Support Price (MSP) for *Rabi* Crops**  
(Indian Rupees per Metric Ton)

Crop\Crop Year	2012/13	2011/12	2010/11
Wheat	Decision Deferred <sup>1</sup>	12,850	11,200 <sup>2</sup>
Barley	9,800	9,800	7,800
Chick Pea	30,000	28,000	21,000
Lentils	29,000	28,000	22,500
Rapeseed & Mustard	30,000	25,000	18,500
Safflower	28,000	25,000	18,000

Note: <sup>1</sup> - No Change from 2011/12 recommended by the CACP.

<sup>2</sup> - An additional bonus of Rs. 500 per ton paid over the MSP.

Source: Ministry of Agriculture, GOI.

### Ministry of Agriculture vs. Other Ministries

Media reports suggest that the decision on MSP for wheat could not be taken by the CCEA due to differences between the relevant ministries. Officials of the Ministry of Agriculture pushed for raising the MSP by calling for a bonus of 10 percent over the CACP recommendation to compensate farmers for rising input costs, particularly of diesel and fertilizers. However, officials of the Food Ministry and Ministry of Finance are in favor of freezing the MSP for wheat due to rising government wheat procurement, "burdensome" stocks, and escalating food subsidies in recent years. Concerns were also expressed about the impact of a higher MSP for wheat on food inflation and the government's fiscal deficit.

**Table 2. India: Wheat Production and Government of India Procurement Operations**

Marketing Year	Production	GOI Procurement <sup>1</sup>	MSP	GOI Cost	Off take from GOI Stocks	Food Subsidy
(Apr–Mar)	(Million Tons)	(Million Tons)	Rs. per ton	Rs. Per ton	(Million Tons)	Rs. Billion
2005/06	68.64	14.79 (21.6)	6,400	10,419	16.71	230.80
2006/07	69.35	9.23 (13.3)	7,000	11,778	11.88	240.10
2007/08	75.81	11.13 (14.6)	8,500	13,118	12.25	312.60
2008/09	78.57	22.69 (28.9)	10,000	13,806	14.89	437.50
2009/10	80.68	25.38 (31.5)	10,800	14,246	22.38	582.42
2010/11	80.80	22.51 (27.8)	11,000	14,944	23.03	629.30
2011/12	86.87	28.33 (32.6)	11,700	16,519	24.27	723.71
2012/13	93.90	38.15 (40.6)	12,850	18,225	Not available	745.52 <sup>2</sup>

Note: <sup>1</sup> - Figures in parentheses are government procurement as percent of total production.

<sup>2</sup>- GOI 2012 Budget Estimate. Market sources estimate that the actual subsidy bill for MY 2012/13 would surpass Rs. 1000 billion on higher than expected procurement and large stocks.

Source: Ministry of Agriculture, Food Corporation of India, and GOI budget documents.

India had two consecutive record wheat crops and government wheat procurement in MY 2010/11 and 2011/12, and is holding wheat stocks of 43.2 million tons as of October 1, 2012, more than three times the desired stock levels. Media reports quote a senior CACP official, “There is absolutely no need to further encourage planting and production of wheat to let it rot... The focus should be more on improving production of oilseeds and pulses.” Given that India is the leading importer of vegetable oils and pulses in the world, at least some government officials would like to encourage production of these crops to reduce dependence on imports.

### Post Comments:

The decision on MSP for wheat is likely to be taken based on political factors despite the government’s concerns about “unmanageable” food grain procurement and the escalating food subsidy. However, the quantum of increase in MSP for wheat is unlikely to cause any significant shift away from area under wheat to competing *rabi* pulse and oilseed crops. Unlike last year, current market prices of wheat (Rs. 13,500-17,000 or \$250-315 per ton) are well above the MY 2012/13 MSP, and with prices expected to increase further on expected strong international prices, farmers will be encouraged to plant wheat in the upcoming season. In addition, farmers will continue to prefer wheat over competing pulse and oilseed crops as the latter are relatively low yielding, susceptible to pests, diseases and weather extremities, and do not have an established government procurement system in place.