

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Crop Procurement under Administered Prices

Report Categories:

Trade Policy Monitoring

Cotton and Products

Grain and Feed

Oilseeds and Products

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Report Highlights:

Within the last few years, the Government of India (GOI) has used the Minimum Support Price (MSP) procurement system to purchase increasing quantities of rice and wheat. Conversely, the procurement of other crops has dropped or become more erratic.

Executive Summary: Since the 1960s, the Government of India (GOI) has procured certain food and industrial crops when market prices have fallen below government-administered prices, known as minimum support prices (MSP). The MSP is announced at the beginning of the *rabi* (winter sown) and *kharif* (summer sown) crop seasons. 25 food and non-food crops are eligible for procurement by government agencies at the MSP. Procurement data for the last 13 years indicate higher government purchases of food grains than of oilseeds and pulses, and that these purchases have grown over time.

General Information:

During the mid-1960s, in order to enhance food security, the GOI promulgated the MSP procurement system to support the production of major food and industrial crops. Presently, 25 major crops are covered under the minimum support price program: rice, wheat, five coarse grains, four pulses, eight oilseeds, cotton, jute and sugar cane.

According to the GOI, the MSP aims to:

- (i) Assure remunerative and relatively stable price environment for the farmers by inducing them to increase production and thereby augment the availability of food grains.
- (ii) Improve economic access of food to people.
- (iii) Evolve a production pattern which is in line with overall needs of the economy.

By law the Ministry of Agriculture's Commission for Agricultural Costs and Prices (CACP) uses production costs and other factors, such as domestic and global market conditions, to calculate a proposed MSP. Production cost includes the land rent, labor costs, energy costs, and other input costs. Once the proposed MSP is prepared, it is submitted to the Cabinet, where it may either be approved or modified. The GOI announces the MSP approved by the Cabinet at the beginning of each *rabi* (winter sown) and *kharif* (summer sown) crop season. Each MSP is revised annually.

Several central government and state agencies can procure crops using the MSP. Because the price support policy favors food grains, there is very little incentive for farmers to grow other crops. For the last 13 years, the government has procured more food grains than oilseeds and pulses (Please see Table 1).

During the marketing year (normally October-September, except for wheat which is April-March), parastatals (e.g., Food Corporation of India or FCI) and state agencies establish purchase centers at *mandis* (market yards) and other key points to procure food grains. Farmers are not obliged to sell to the government, and may sell directly to private traders and millers, although many prefer the logistical convenience and assured payment of the *mandis*. Other government-sponsored organizations procure oilseeds, pulses, *kapas* (seed cotton), and raw jute. Commodities purchased by all these entities must meet GOI specifications.

Please refer to the links below to access data from the various Indian public agencies that utilize the MSP:

- 1) <http://fciweb.nic.in/procurements/index>
- 2) <http://www.nafed-india.com/oilseeds.asp>
- 3) <http://www.texmin.nic.in/>
- 4) <http://cotcorp.gov.in/procurement.aspx>
- 5) www.jci.gov.in/
- 6) <http://agricoop.nic.in/Agristatistics.htm>

Table 1. India: Procurement of Crops by Indian Government Agencies									
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			Wheat Procurement for Central Pool (million metric tons)										
Marketing Year (April - March)													
	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Total	16.35	20.63	19.02	15.80	16.80	14.79	9.23	11.13	22.69	25.38	22.53	28.34	38.15

Source: Department of Food and Public Distribution, Government of India (GOI)

			Rice Procurement for Central Pool (million metric tons paddy basis)										
M a r k e t	2 0 0 0 - 0	2001 -02	2002-03	2003-04	2004 -05	2005-06	2006-07	2007 -08	2008-09	2009 -10	2010-11	2 0 1 1 - 1	2 0 1 2 - 1

ing Year (Oct - Sept)	1											2	3
T o t a l	1 9 . 5 5	22.08	16.41	22.90	24.67	27.58	25.11	28.74	34.10	32.03	34.20	3 5 . 0 6	3 2 . 4 4

Source: Department of Food and Public Distribution, Government of India (GOI)

Coarse Grain Procurement for Central Pool (thousand metric tons)													
Marketing Year (Oct-S	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13

e p t)													
T o t a l	*	314.7 5	59.81	650.75	827.07	1,153.50	0.20	203.5 6	1,375.56	406.8 3	127.83	3 6 0 0	7 2 0 0

Source: Department of Food and Public Distribution, Government of India (GOI)

*: Indicates no purchase OR data are not available

Cotton Procurement by Cotton Corporation of India (CCI) Under Price Support Operations (thousand 170-kg bales)													
M a r k e t i n g Y e a r (O c t - S e p t)	2 0 0 0 - 0 1	2001 -02	2002-03	2003-04	2004-05	2005-06	2006-07	2007 -08	2008-09	2009 -10	2010-11	2011-12	2 0 1 2 - 1 3
T o t a l	*	851	49	0	2,649	1,328	1,210	225	8,861	581	1	7	2 , 2 8 6

Source: CCI Ltd Mumbai, Ministry of Textiles, Mumbai.

Note: In addition to CCI purchases, NAFED (National Agricultural Cooperative Marketing Federation of India) procured 3.7 million bales in marketing year (MY) 2008/09, while in MY 2006/07,

2007/08, and 2009/10 through 2011/12, total procurement was less than 7,000 170-kg bales

n g Y e a r (O c t - S e p t)											
T o t a l	*	*	*	*	5,000	*	*	*	*	*	*

Source: NAFED, New
Delhi

*: Indicates no purchase OR data are not
available

Pulses Procurement by NAFED under market intervention program (metric tons)											
M a r k e t i n g Y e a r (O c t -	2 0 0 0 - 0 1	2001 -02	2002-03	2003-04	2004-05	2005-06	2006 -07	2007-08	2008-09	2009-10	2010-11

S e p t)											
P i g e o n P e a	9 9	3,775	51	*	*	*	*	*	*	*	*
G r a m (V i g n a m u n g o)	*	*	*	29,257	288,723	72,741	*	*	*	*	*
U r a d (b l a c k m a t p e	*	*	17,729	128,534	2,113	*	*	*	482	*	*

)											
M u n g b e a n	*	*	*	2,490	*	*	*	*	*	*	*
M a s u r (r e d l e n t i l)	*	*	*	*	3,946	1,551	*	*	*	*	*

Source: NAFED, New Delhi

*: Indicates no purchase OR data are not available

Oilseeds Procurement by NAFED under market intervention program (metric tons)													
Marketing Year (Oct-Sept)	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Soybean	55,342	*	*	*	*	886	7	*	*	*	*	9,916	*
Peanut	28,253	164,530	*	*	418	3,428	116	*	40	*	*	1,003	*
Safflower seed	6,583	3,202	2,020	*	8,942	24,278	50,673	117	*	*	*	*	*
Mustard	247,933	329,524	469,000	10	403,031	1,998,969	2,201,891	21,905	*	*	*	12,107	*
Sunflower seed	46,430	26	29	*	2,393	3,218	4,999	*	10,335	3,381	845	*	*
Copra	224,059	57,259	8,496	787	*	5,144	8,851	17,812	664	62,531	31,495	343	*
Sesame	*	*	*	*	*	2,162	377	92			1,885	*	*

Source: NAFED, New Delhi

*: Indicates no purchase OR data are not available

