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D.O. No.

कृषि लागत और मूल्य आयोग
COMMISSION FOR
AGRICULTURAL COSTS AND PRICES

भारत सरकार
GOVERNMENT OF INDIA

कृषि भवन, नई दिल्ली - 110001

Krishi Bhawan, New Delhi 2011

D.O. No. 1-3/2011(F)-CACP

Dated : 5th July, 2012.

Dear

Sh. Ashish Bahuguna,

This is in pursuance of your DO No.6-4/2012/FES-ES dated 25th June, 2012, vide which it was communicated that the CCEA has approved the MSPs of all kharif crops except tur and moong, and has asked CACP to re-consider recommended MSPs of these two crops in consultation with DAC.

Consequently, CACP has reconsidered MSPs of tur and moong after taking the views of DAC into consideration. A note on the same for the consideration of the CCEA is enclosed.

With best regards,

Yours sincerely,

AG

(Ashok Gulati)

Shri. Ashish Bahuguna,
Secretary to the
Government of India,
Ministry of Agriculture,
Department of Agriculture & Cooperation,
Krishi Bhawan,
New Delhi - 110 001.

6/7/2012

COMMISSION FOR AGRICULTURAL COSTS AND PRICES

REVISITING MSP RECOMMENDED FOR TUR AND MOONG FOR 2012-13 KHARIF SEASON

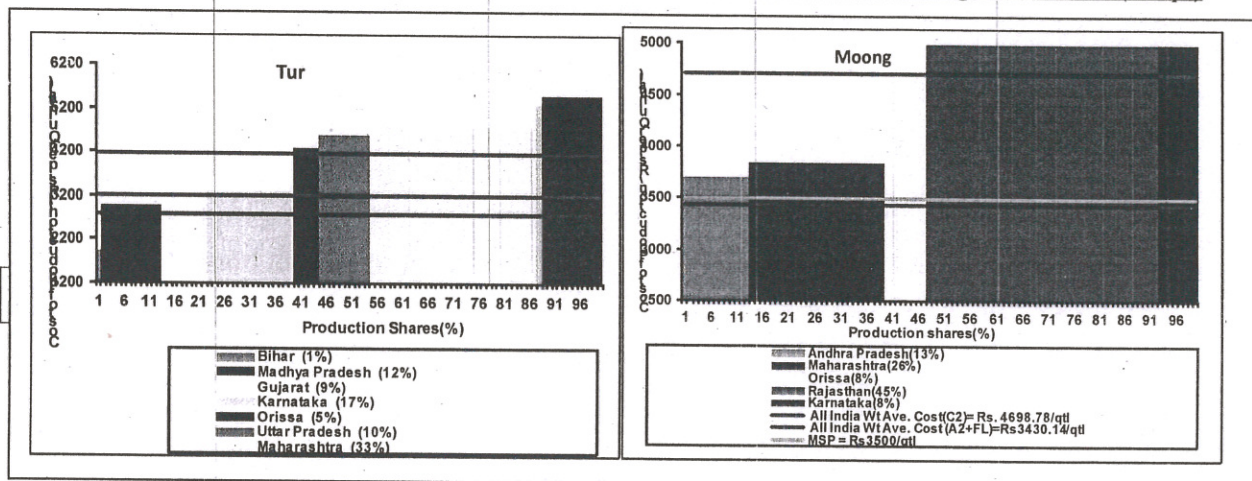
In pursuance of Secretary, DAC's D.O. letter no 6-4/2012-FES-ES dated 25th June, 2012 to Chairman, CACP, vide which it was communicated that the CCEA has approved the MSPs of all kharif crops except tur and moong, and has asked CACP to re-consider recommended MSPs of these two crops in consultation with DAC. CACP has reconsidered MSPs of tur and moong after taking the views of DAC into consideration. In this context the following points have been given due consideration:

2. During the years 2010-11 and 2011-12, Government had announced a bonus of Rs. 500/ql. on the MSP of tur and moong during the first two months of harvest, if tur and moong are sold to procuring agencies. If one internalizes this bonus in their respective MSPs, the effective MSP of tur works out to be Rs. 3500/ql. (Rs. 3000 plus Rs. 500) for 2010-11 and Rs. 3700/ql. (Rs. 3200 plus Rs. 500) for 2011-12. The MSP recommended for tur by CACP for 2012-13 is Rs. 4000/ql., which is only 8 percent higher than what the Government had announced for 2011-12. Similarly, in case of moong, the effective MSP announced by the Government was Rs.3670/ql. (Rs. 3170 plus Rs. 500) for 2010-11 and Rs. 4000/ql. (Rs. 3500 plus Rs. 500) for 2011-12 crop. The MSP recommended for moong by CACP for the 2012-13 kharif season is Rs. 4500/ql., which is 12.5 percent higher than the one announced by the Government for 2011-12 crop.

3. Weighted average costs of production (C_2) for tur and moong at all India level are projected at Rs. 4167/ql. and Rs. 4697/ql. respectively for 2012-13. If costs of marketing, transportation and crop insurance premium are added, costs for these crops would work out to Rs. 4216/ql. and Rs. 4749/ql. respectively. The MSP of Rs. 4000/ql. recommended by CACP for tur for 2012-13 would cover the cost of only 40 percent of tur production in the country, leaving the other 60% (mainly in the states of Odisha, Uttar Pradesh, Maharashtra, Tamil Nadu, and Andhra Pradesh) to be exposed to high market risk, where the price may not cover their cost of production (C_2). Similarly, for moong, the farmers in the states of Odisha, Rajasthan and

Karnataka, accounting for 60 percent of production of moong, may not recover their costs (C_2) even at the MSP recommended for 2012-13 kharif season. With Rajasthan's contribution alone being 45 percent, any shortfall in its moong production will impact on the prices (charts-1 and 2).

Charts-1 and 2 : Projected state-wise costs of production of Tur and Moong for 2012-13 (Rs/qttl)



Thus, even with the recommended MSPs, the peasants in largest producing states of tur (Maharashtra) and moong (Rajasthan) will not even recover their costs of production. In this scenario, can we say whether our pricing (MSP) policy offers “remunerative prices” to farmers, which is one of the key mandates of CACP?

4. It is also highlighted that during the three years, 2007-08 to 2009-10, for which the latest actual cost of production data is available, the MSPs for tur and moong were 16 percent below their cost of production (as an average of three years). Obviously, MSP policy for tur and moong, when it gives negative returns over cost, could never enthuse farmers to increase their production on sustainable basis. A marginal drop in their production could then result in spikes in open market prices. The spike in tur prices in 2009-10 by more than 80 percent revealed the futility of such an MSP policy. It was only in 2010-11 when the MSP of tur was revised upward by 30 percent over 2009-10 MSP that a healthy increase in tur area and production was immediately witnessed, thus stabilizing prices, which lasted till 2011-12.

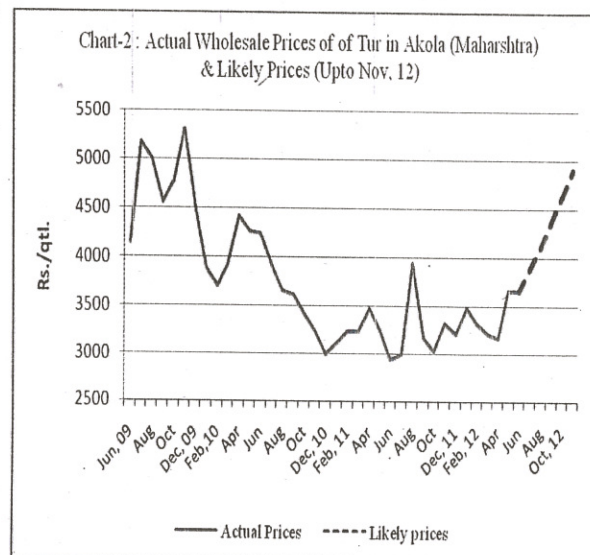
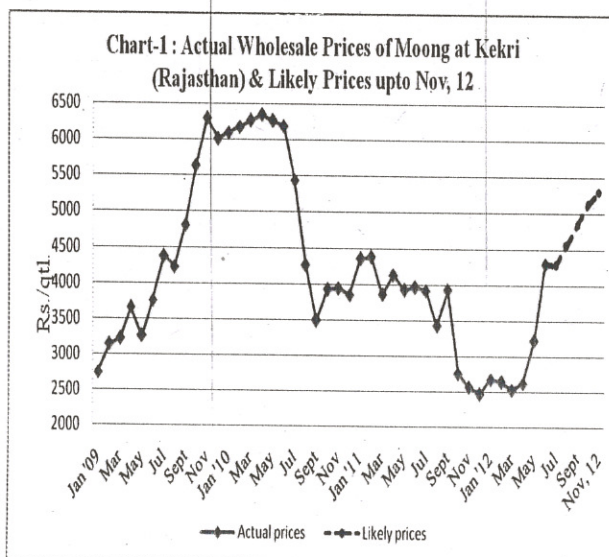
5. It is observed that when MSPs of tur and moong were raised significantly in 2010-11 over 2009-10, farmers responded well by increasing area and production so much so that for

pulses as a group, India harvested the highest ever production of 18 million tonnes, and for tur and moong too, it was one of the highest levels of production. But in 2011-12, the production has declined over 2010-11, and this is a matter of concern. This coupled with prospects of a weak monsoon in three critical states of Maharashtra, Rajasthan and Karnataka, should make us plan for alternatives. Giving sufficient price incentive to farmers in other pockets, along with an effective procurement machinery (through NAFED) may help overcome the wide fluctuations in their production and hence prices.

6. It is true that domestic prices as well as import parity prices of tur and moong hovered around Rs. 3500/qtl. during the last few months (when exchange rate was Rs 45 to a US dollar) which is less than MSP recommended by CACP for 2012-13 kharif season. But given the sharply falling value of rupee, this scenario may change quickly. In this context, we are in a situation where domestic costs of production are much higher than import parity prices of tur and moong, and import duty on tur and moong has been brought down from 30% to zero in a phased manner, while exports of tur and moong are totally banned on private account. This is clearly a pro-consumer policy and undercuts producer incentives to cultivate tur and moong. To promote that, CACP recommends imposition of 10 percent import duty for the next three years so that the import parity prices of tur and moong do not go below their announced MSPs.

7. It may also be kept in mind that excessive reliance on imports of tur and moong, in an extremely thin global market, can prove to be very costly to tide over any significant shortage at home. The import parity prices may go up sharply in the wake of drought like situation in key tur and moong growing states. So far till July 1, Maharashtra, Rajasthan and Karnataka are reported to be facing a large deficit of rains for 2012 season. Departure from normal rainfall in this season is highest in Rajasthan (-77% to -80%), followed by Madhya Maharashtra (-52%), Karnataka (-46% to -50%), Marathwada (-45%), Vidharbha (-30%). When cumulative departure from normal rainfall during 1 January to 1 July, 2012 is taken into consideration, deficiency increases to -131% to -175% in Rajasthan, -63% to -108% in Maharashtra and upto -59% in Karnataka. In this scenario, the possibility of rains continuing to play truant and consequently these three states facing drought cannot be ruled out. Taking cognizance of the fact that about 95% of these two crops are grown in rainfed conditions, the production of tur and moong may be severely affected;

consequently, domestic prices of tur and moong may spike as was experienced in 2009-10. If the 2009-10 prices scenario is repeated, there is a likelihood of a spike in the prices of tur and moong, as indicated in Charts-3 and 4.



8. The long term solution to cutting down costs of production lies in raising productivity of tur and moong, by increasing their coverage under irrigation and/or by application of better seeds. In view of this, CACP is of considered opinion that we need to incentivize production of tur and moong in irrigated tracts of Uttar Pradesh and Punjab to bring in some stability in their production.

9. Disaggregated analysis does point out that pricing policy has favored more the irrigated crops like wheat, rice and sugarcane as these crops use much of subsidized water (including power for irrigation) and fertilizers. The rainfed crops, of which tur and moong are prime examples, face high weather risk (without adequate insurance cover), use negligible subsidies, and remain somewhat neglected (as MSPs do not even cover their costs of production). This happens despite their being more nutritious to mankind as well as soils (nitrogen fixing). This distortion needs to be corrected for the benefit of consumers, farmers as well as farms.

10. Of late, the Government of India has been announcing MSP of urad at a level which is higher than that of tur but lower than that of moong as may be seen from table-1 for 2011-12, for instance.

Table-1 : MSP Recommended/Fixed by Government vis-à-vis Costs of Production of Tur, Moong and Urad in Recent Years (Rs/quintal)					
Variety of pulses	MSP + Bonus# announced in 2011-12	Costs of production (C ₂) in 2012-13*	Recommended MSP by CACP for 2012-13	MSP fixed by Government for 2012-13	Reconsidered MSP by CACP for 2012-13
Tur	3700(=3200+500)	4216.16	4000	-	3850
Urad	3800 (=3300+500)	4381.04	4300	4300	-
Moong	4000 (=3500+500)	4748.89	4500	-	4400
Notes: #Bonus of Rs 500/ql of tur,moong and urad sold to procurement agencies is payable during the harvest/arrival period of two months.					
* C ₂ plus estimated costs of marketing, transport and crop premium					

Therefore, in keeping with the market price parity of the three kharif pulses, and the fact that the Government has already announced the MSP of urad at Rs 4300/ql, the CACP, after careful reconsideration, recommends MSP for tur at Rs. 3850/ql., and for moong at Rs. 4400/ql. for the 2012-13 kharif season to promote pulses production on sustainable basis, with a view to bringing in more irrigated areas under these crops and thereby reduce wide fluctuations in their production and prices.
