

COMMISSION FOR AGRICULTURAL COSTS AND PRICES
PRICE POLICY FOR RABI CROPS OF 2004-2005
SUMMARY OF RECOMMENDATIONS

In this report, the Commission for Agricultural Costs and Prices presents its views on the Price Policy for Rabi Crops of 2004-2005 season. The Commission recommends that: the minimum support prices for the fair average quality of the rabi crops of 2004-2005 season be fixed at the following levels:

Commodity	Rs/Quintal
Wheat	640
Barley	540
Gram	1425
Masur (Lentil)	1525
Rapeseed/Mustard	1700
Safflower	1550

(Para 4.5)

The Commission further recommends that:

- i) the prices of other oilseeds belonging to the rapeseed/mustard group be fixed on the basis of their normal market price differentials with rapeseed/mustard;
- ii) FCI should improve its operational efficiency in the procurement and distribution of foodgrains in a cost effective manner, while there should be a gradual policy shift in favour of decentralized procurements by state governments along with necessary infrastructure and financial support. The FCI should procure only to meet the buffer needs; (Para 1.10)
- iii) commercial banks and co-operatives should improve their credit delivery systems so that farmers could access adequate credit from institutional sources at competitive rates and in a hassle free manner;(Para 1.12)
- iv) Government should redesign a simple, easy to operate and clearly understood insurance scheme after a thorough examination of its practicability and in the light of problems

which the farmers face both in the coverage and settlement of claims; (Para 1.14)

- v) increased investment in rural infrastructure, coupled with appropriate policy initiatives for agricultural diversification and value addition should form the topmost priority. Besides, agricultural price policy, technology policy and exim policy must be oriented towards diversified rural growth. Moreover, an effective market information system and monitoring of national and international prices and trade cycles would be crucial; (Para 1.16)
- vi) Government should rationalize the import duty on pulses and oilseeds to discourage imports and also nominate NAFED to undertake the task of monitoring the quality of imports of these commodities; and (Para RP.2.8)
- vii) instead of waiting for announcement of new prices, the state governments, based on advance reports of crop production, should ensure that adequate arrangements for purchase are made at least at the MSP of the previous year and that subsequent book adjustments are made with the Central Government so that the farmer is not forced to sell under distress conditions. (Para S.2.6)

I. AN OVERVIEW

The performance of Indian agriculture was quite impressive during 2003-2004 with several outstanding achievements in crop production. The production of total foodgrains during 2003-04, according to Third Advance Estimate by Directorate of Economics & Statistics, Ministry of Agriculture (03.06.2004), was 212.05 million tonnes which was higher than 174.19 million tonnes produced during 2002-03, but marginally lower than previous record production of 212.85 million tonnes achieved in 2001-02. Of the total foodgrains production of about 212.05 million tonnes in 2003-04, rabi foodgrains contributed 100.26 million tonnes. It included 72.74 million tonnes of wheat, 1.41 million tonnes of barley, 5.67 million tonnes of gram and 2.99 million tonnes of other pulses. The production of rabi foodgrains was about 14 million tonnes higher than that of the previous year. The production of wheat improved by about 7.64 million tonnes over the previous year but remained marginally lower than the record production at 76.37 million tonnes achieved in the year 1999-2000. The estimated production of coarse cereals at 36.8 million tonnes in 2003-04 was an all time high, breaking the previous record of 36.6 million tonnes achieved in 1992-93. But the production of rabi coarse cereals remained below the levels achieved in 1998-99 and 1999-2000, although it was higher than the previous year by about 18 per cent. The production of gram which is a major pulse crop in the rabi season increased from 4.13 million tonnes in 2002-03 to 5.67 million tonnes in 2003-04. As compared to 2002-03, the production of rabi oilseeds also increased by about 2.4 million tonnes. The production of rapeseed and mustard increased from 3.9 million tonnes in 2002-03 to 58.80 million tonnes in 2003-04, while that of safflower decreased from 1.57 lakh tonnes in 2002-03 to 1.28 lakh tonnes in 2003-04.

1.2 However, in view of the current dry spell in various parts of the country, it is doubtful whether the existing level of crop production will be maintained in the year 2004-05. Even though the performance of rabi sowing would largely depend on the rainfall in September and October and the level of moisture content in soils during that period, scanty and deficient rainfalls in the monsoon season of 2004-05 would in all probability affect output of both kharif and rabi crops. The States which witnessed deficiency of rainfall include Meghalaya, Nagaland, Manipur, Sikkim, Jharkhand, Haryana, Chandigarh (UT), Punjab, Himachal Pradesh, Rajasthan, Madhya Pradesh, Gujarat, Goa, Maharashtra, Pondicherry (UT), Kerala, Lakshadweep (UT) and parts of Andhra Pradesh. In fact, Telengana region of Andhra Pradesh, Vidarbha in Maharashtra, Western Madhya Pradesh, Rajasthan, Western Uttar Pradesh and Jharkhand had rain deficiency ranging from 25 per cent to 51 per cent. As many as 17 States reported deficient rainfall, while 3 States, namely Bihar, J&K, and Tamil Nadu reported excess rainfall. While 40 per cent of the total districts reported deficient rainfall, 23 per cent had excess rainfall and 10 per cent reported

scanty rainfall by 3rd week of July, 2004. Furthermore, as per the medium range weather prediction for the period ending July 24, major areas of north west India, including Rajasthan, Punjab, Haryana, Himachal Pradesh, Uttaranchal and West Uttar Pradesh are expected to receive only isolated rainfall. As on July 15, 2004, only 50 per cent of the kharif area in Rajasthan and Madhya Pradesh have been sown. However, in Punjab and Haryana, the situation is slightly better because of the availability of irrigation facility. The current situation once more highlights the harsh reality of the continued dependence of Indian agriculture on monsoon. Nearly 70 per cent of cultivable land in the country continues to be vulnerable to the vagaries of the monsoon. Some 400 projects that could have irrigated 21 million hectares are pending since 1960s. There is a need to push for the completion of projects and provide incentives for other avenues of irrigation including micro-irrigation and watershed development.

1.3 The surplus production of rice and wheat has remained the corner stone of country's food security management. The combined production of rice and wheat scaled the level of 166.05 million tonnes in 1999-2000 and 166.11 million tonnes in 2001-02, enabling large volumes of procurements by Food Corporation of India and its affiliated agencies. The resultant comfortable stock in excess of fifty million tonnes at the onset of year 2002-03 was, however, substantially depleted during 2002-03 on account of higher off-take for targeted public distribution welfare schemes, open sales and export. In 2002-03, the year of widespread drought, this stock position ensured the macro level food security, and the Commission had already expressed its concern that there is no room for complacency on food security in the policy framework. The year 2003-04, inspite of overall good performance, had netted subdued procurement, particularly that of wheat, which was 16.7 million tonnes for the marketing year 2004-05, substantially lower than the previous peak level of 20.6 million tonnes. The level of off-take during 2003-04 was, however, sustained almost at the level of past two years. Resultantly, the carryover stock of 20.6 million tonnes of grains against the buffer stock norm of about 15.8 million tonnes, (4 million tonnes of wheat and 11.80 tonnes of rice) at the onset of 2004-05, is lowest in the past five years. The lower procurement and high anticipated off-take in the wake of uncertainty on weather front expose the vulnerability of macro level food security. The stock of foodgrains as on 1st June, 2004 stood at 31.6 million tonnes, comprising 12.2 million tonnes of rice and 19.4 million tonnes of wheat. This stock may hardly be adequate to meet the requirement of TPDS and domestic market stabilization measures. The off-take of wheat and rice during 2003-04 at 24.19 million tonnes and 23.74 million tonnes respectively was about 3.4 per cent lower than last year. However, the off-take for TPDS during 2003-04 was 0.93 and 17.31 million tonnes higher than last year for wheat and rice respectively. If the actual off-take is viewed from the point of view of its being less than one-third of the allotment, the available food stock was possibly not adequate to meet the full quota of allotment. In such wafer thin status of food security, it was prudent on the part of FCI to put a rider on release of stocks for the purpose of exports.

1.4 The chronic deficiency in the domestic production of oilseeds and pulses remains a cause of concern. This concern is widely shared in the policy exercise and emphasis has been laid on diversification of agriculture focusing on increasing the area and production of oilseeds and pulses. However, the farmer's decision to grow any crop from the alternative choices is governed by his relative advantages in the return per hectare based on productivity and prices. In recent years, the cheaper imports under the impact of low tariff regime have been depressing the domestic prices and in turn reducing the confidence of the farmer on expected price realization in domestic market. Therefore, a comprehensive review of oilseed and pulses economy in the wake of globalization is necessary.

1.5 The liberalization and integration of domestic market with the international market has brought to focus the need of decision making and close monitoring of demand and supply, particularly of those traded agricultural commodities for which large number of domestic farmers are stake-holders. For safeguarding the price interest of these farmers from the volatility of domestic market, the timely decisions on modulation of import by adjusting tariff become necessary. This decision making process, however, gets constrained due to the absence of realistic assessment of demand. The demand assessment for commodities like pulses and edible oils is particularly important because of their substantial import substitution in the domestic consumption basket. The Commission in its previous Report on Price Policy for Kharif Crops (2004-05) had expressed its concern on inadequacy of such objective assessment of demand. The Commission also undertook an exercise in this regard using the unit wise data of comprehensive consumer expenditure survey of NSS 55th round (1999-2000). The Commission has estimated the consumption demand for edible oils in the country at about 12.4 million tonnes and that of pulses at 15.3 million tonnes for the year 2004-05 which substantially exceed their corresponding current domestic production.

1.6 The Commission submitted its report on Price Policy for rabi crops of 2003-04 season on 22/07/2003. The government accepted the recommendations of the Commission without any alteration and announced the minimum support prices of rabi crops on 18/12/2003. However, in several markets, as reported by the Directorate of Economics & Statistics and also AGMARKNET (Directorate of Marketing & Inspection), prices ruled below the minimum support prices fixed for wheat, barley, gram and rapeseed and mustard. Also in newly emerging production surplus regions, the market prices remained depressed due to inadequate market intervention and procurement. Although the FCI opened new purchase centers in Uttar Pradesh and Bihar, procurement in these states as well as in Madhya Pradesh were much lower than their respective peak levels in the past. The prices at several places in these states ruled below MSP even for produce meeting FAQ norms. This reflected on ineffective and inadequate procurement operations by FCI and NAFED in some places.

1.7 As a matter of fact, the average market prices of agricultural commodities improved quite significantly in 2003-04. The wholesale price index (WPI) of all agricultural commodities (base 1993-94 = 100) increased from 175.6 in 2002-03 to 183.2 in 2003-04, while that of wheat increased from 175.7 in 2002-03 to 181.4 in 2003-04. However, the WPI of barley registered a decline from 193.8 in 2002-03 to 179.5 in 2003-04. While the WPI of gram declined from 149.7 in 2002-03 to 142.5 in 2003-04, that of rapeseed and mustard increased from 143.4 in 2002-03 to 184.3 in 2003-04 and that of safflower rose from 150.5 in 2002-03 to 188.8 in 2003-04. Thus, the price situation in general was quite buoyant, excepting in the case of barley and some pulses, including gram.

1.8 The international prices of wheat also had shown rising trends in the past few years. But according to Food Outlook of FAO, dated June, 2004, there are indications of weaker wheat prices in 2004-05 due to improved supply situation and low import demand. Similarly, the prices of coarse grains, including that of barley are expected to decline. The international prices of rapeseed which improved significantly during 2003-04 may remain firm, despite higher export by Canada and Australia, since export availabilities of other edible oils would be less. On the pulses front, the international prices, especially of lentils are forecast to weaken in the next few months in response to larger export supplies.

1.9 Currently there are several confusing perceptions about the relevance and validity of minimum support prices. While the Common Minimum Programme of the government promises to ensure payment of remunerative prices to all farmers for all crops and in all regions, the Economic Survey of 2003-04 holds the system of open ended procurement at minimum support prices largely responsible for high, albeit non-sustainable food subsidies. Without going into the controversy, the Commission would like to state that minimum support prices have played an important role in making the country self-sufficient in the production of foodgrains and can continue to do so in maintaining national level food security in future, in a cost effective manner, provided the government follows appropriate price and food management policies. It should be recognized that the present MSP is not necessarily the remunerative prices for all farmers and in all regions, as costs of production vary widely, while the government fixes a single MSP for the whole country based on weighted average costs of production taking note of the cushion provided in efficient and less efficient producing states and other considerations. It is also a fact that market prices rule much below the MSP in most parts of the country, primarily because of inadequate and lopsided market intervention.

1.10 The Government in its Economic Survey of 2003-04, has shown concern for the rising food subsidy bill. In fact, the food subsidy bill is estimated to have increased from Rs.6066 crore in 1996-97 to Rs.25160 crore in 2003-04 and Rs.27746 crore in 2004-05 (BE). A substantial part of the hike in food subsidy is due to huge carrying costs of grains and inefficient grain procurement operations by FCI. Also

large accumulation of stocks of grains during 2000-01 and 2001-02 resulted partly from frequent tinkering with central issue prices which slowed down the PDS off-take. Besides, all these years the government lacked a vibrant, albeit realistic export policy of grains. The Commission agrees that the present system of procurement by FCI is quite inefficient and also it fails to provide effective price support to farmers in most regions. Therefore, it is recommended that *FCI should improve its operational efficiency in the procurement and distribution of foodgrains in a cost effective manner, while there should be a gradual policy shift in favour of decentralized procurements by state governments along with necessary infrastructure and financial support. The FCI should procure only to meet the buffer needs.* Fortunately, the off-take of grains during both 2002-03 and 2003-04 remained quite high. In 2003-04, it was 24 million tonnes of wheat and 23.7 million tonnes of rice. Also the procurement of wheat during 2004-05 marketing season was 2.5 million tonnes less than the procurement made in 2002-03 marketing season when the level of production was almost the same. Further, in view of the government's pro-poor policy, it is expected that off-take of grains through PDS and other welfare schemes would improve in the current year, and the level of food subsidy may be within a reasonable limit due to low stocks and low carrying costs of grains.

1.11 The Commission in its recent reports has highlighted the problems of farmers at length. Farmers in most regions do not have access to quality seeds, adequate water for irrigation and drinking purposes, electricity, pesticides, credit, price and marketing support and also face high risks of crop failure and price variability. Many of them borrow money from both institutional and non-institutional sources and fail to repay it, particularly in years of droughts, floods and low output prices and consequently get harassed by lenders. Acute poverty, indebtedness and helplessness are reported to have driven a large number of farmers to commit suicide in many regions. What is lacking is adequate sensitivity on the part of the administration to address these issues in a holistic manner and on priority basis.

1.12 Recently the government announced a new credit package for farmers which includes (i) doubling the flow of institutional credit to agriculture in the next three years, (ii) rescheduling of debt of farmers in calamity affected areas, (iii) one time settlement of loan of all small and marginal farmers who have been declared as defaulters and taking over of moneylenders' loan to farmers by commercial banks, regional rural banks and co-operatives. While there was a felt need for such a package to provide relief to the farmers in distress, especially in drought affected areas, one still needs to examine its adequacy, effectiveness, implementation modality and implications for agricultural growth and equity. It should be recognized that private moneylenders provide hassle free loans to farmers at their door steps and hence farmers prefer to borrow from them even by paying comparatively higher rates of interest. Besides, high transaction cost of institutional loans often encourages the farmers to borrow from private sources. The Commission therefore recommends that *commercial banks and co-operatives should improve their credit*

delivery systems so that farmers could access adequate credit from institutional sources at competitive rates and in a hassle free manner.

1.13 According to the latest available data for the year 2002-03, per hectare average credit availability from institutional sources were as low as Rs.247 in Assam, Rs.533 in Jammu & Kashmir, Rs.419 in Uttar Pradesh, Rs.954 in Bihar, Rs.1284 in Madhya Pradesh and Rs.1287 in Orissa, while the national average was Rs.3667 per hectare. Such a low level of credit availability would hardly meet the requirement of accelerated agricultural growth. Furthermore, the relative share of eastern and central regions in total disbursement of institutional credit to agriculture has declined during the last 10 years, even though the government considered these regions to be the epicentre of next phase of green revolution. Thus, there is need not only for strengthening overall credit facilities, but also correcting regional imbalances in the flow of institutional credit for rapid agricultural growth with equity.

1.14 Coupled with a farmer-friendly and hassle-free credit delivery system, there is need for a viable risk coverage policy. Agriculture insurance policy has over the years been modified and remodified. The scheme has always suffered from weaknesses – its coverage has been limited, procedure cumbersome and not clear to farmers and settlement of claims time consuming. Even the Farm Income Insurance Scheme launched last year and implemented on a pilot basis in some districts has the same drawbacks and initial implementation has shown its complexity and impracticability. No crop insurance scheme or risk coverage programme for the farmers can succeed unless it is taken into account grassroots realities and addresses implementational and operational problems. The Commission recommends that *the Government should redesign a simple, easy to operate and clearly understood insurance scheme after a thorough examination of its practicability and in the light of problems which the farmers face both in the coverage and settlement of claims.* There could be no abatement in the mounting rates of farmers' suicide unless credit delivery system is thoroughly reorganized and a simple, easy to operate risk coverage mechanism is put in place.

1.15 Agricultural marketing reform is another area which requires government's attention on priority basis. The suggested measures of reform may include (i) promotion of direct marketing/contract farming, (ii) rationalization of market fees and taxes, (iii) provision of pledge finance against the receipt of warehouse, and (iv) development of basic infrastructure facilities at the mandis. Besides, efforts should be made to develop mandis/market yards as the real growth centers where farmers could not only sell their produce in a hassle free manner, but also access quality seeds, fertilizers, pesticides etc. and obtain price information of all major markets within and outside the country. Also it may be worthwhile to encourage private traders, NGOs, self-help groups and others to undertake procurement operations at the minimum support prices on behalf of the government.

1.16 It needs to be recognized that traditional subsistence farming cannot go beyond a point to improve the economic condition of farmers. Hence, there is need for diversified rural growth, involving not only rapid development of agriculture, but also horticulture, floriculture, aquaculture, dairying, agro-forestry, agro-processing etc.,

based on a regionally differentiated strategy. Currently, there is lack of a clear policy perspective as well as infrastructure for effecting any such horizontal and vertical diversification. The Commission therefore, recommends that increased investment in rural infrastructure, coupled with appropriate policy initiatives for agricultural diversification and value addition should form the topmost priority. Besides, agricultural price policy, technology policy and exim policy must be oriented towards diversified rural growth. Moreover, an effective market information system and monitoring of national and international prices and trade cycles would be crucial.

II. PROFILE OF RABI CROPS UNDER PRICE SUPPORT

WHEAT

The output of wheat in 2003-04 estimated at 72.74 million tonnes is 7.64 million tonnes (Third Advance estimate 3-6-2004) higher than the output of 65.10 million tonnes achieved in 2002-03 but lower than the peak production of 76.37 million tonnes reached in 1999-2000. Initial expectations were that the production of wheat would be 76.12 million tonnes (Second Advance estimate 16-2-04). The cumulative area weighted rainfall during the South West Monsoon Season was 2 per cent more than the long term average in 2003-2004. The presence of residual moisture in the soil augured well for rabi sowings. The weather remained favourable for rabi crop in January and continued to be so until mid February 2004. However, unprecedented heat wave conditions with maximum temperature remaining 4°C above normal throughout March 2004 affected the late sown crops in Punjab and Haryana. As a result, the grain shrivelled up and there was a decline in yields affecting all India output. The quality of grain fortunately remained of FAQ standard. In Uttar Pradesh, unseasonal rains in April damaged the standing crop which was ready for harvesting. (Table 2.1)

W.2.2 Wheat has an important role in the food security of the country. Efforts to raise production and productivity of wheat requires to be renewed. The trend rate of growth of wheat production was 3.63 per cent per annum during the 1980s. Though this declined to 2.14 per cent through the 1990s (including 2002-03), this is by itself no cause for concern. What is worrying however is that the rate of growth of yield has sharply decelerated from 3.25 per cent per annum in the 1980s to just 1.37 per cent per annum in the period 1991-92 to 2002-03. The growth of production could come about only because of acceleration in the growth of area from 0.37 per cent per annum in eighties to 0.76 per cent per annum during the nineties. Indeed, a smoothening of the time series on area, production and yield of wheat based on their moving average of triennium ending base shows large and sustained expansion of area and production with no significant increase in yield in the second half of the 1990s. Since further expansion of area growth at the current rate is unlikely, the future growth of wheat production will depend on whether the rate of growth of yield can be stepped up. (Table 2.2)

W.2.3 An examination of the yield profile across major wheat growing States in conjunction with their share in all-India acreage highlights the constraints in stepping up yield substantially at the national level in the short to medium term. In Punjab and Haryana, there is less scope for raising yields. The yield levels in Punjab and Haryana at 4200 kgs and 4053 kgs per hectare in 2002-03 showed little impact of the drought. They remained fairly close to the yield potential possible with the existing technology. Punjab and Haryana together account for one fifth of the acreage under wheat in the country. To make a significant impact on the production front, yield would need to rise steeply which is increasingly difficult. In contrast, considerable scope for raising productivity exists in Uttar Pradesh, Rajasthan, Bihar and Madhya Pradesh. Production in these states can be increased through location specific varietal improvement of seed, higher replacement rate as well as improved cultural practices such as zero tillage, raised bed cultivation etc. apart from increased coverage of area under irrigation. In this context, the discontinuation of seed mini kit programme from 2002-03 is likely to hamper the spread of new varieties. The government may consider reintroducing such programmes which encourage the spread of disease resistant varieties.

Table - 2 (A) : Yield Profile of Wheat

State	Average Yield	Yield Growth Rate		Percentage share	Percent
	T.E. 2002-03 Kg. per hectare	1980's (% per	1990's annum)	in Acreage T.E. 2002-03	Irrigated Area
1 Punjab	4433	2.86	1.61	13.26	97.40
2 Haryana	4088	4.09	1.43	9.00	98.75
3 Uttar Pd.	2659	2.89	1.54	37.38	92.24
4 Madhya Pd.	1489	3.86	0.07	13.47	73.85
5 Rajasthan	2628	4.29	1.80	8.32	97.85
6 Bihar	2024	2.69	0.88	8.53	89.46

All India	2697	3.25	1.37	100.00	87.98
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W.2.4 Raising yield is important for sustaining profitable production. This is best illustrated with what happened in the past in Punjab and Haryana. When the yield was increasing rapidly, the increases in cost of production of wheat in this region were much less than that in the overall price level and so real price of wheat to the consumers could be reduced without reducing the margin of profit for the farmers. But with yield growth slowing down, the cost of production of Punjab and Haryana has been increasing faster than the overall price index, so that it is no longer possible to reduce the real price of wheat, while maintaining the margins of farmers in this region. The assurance of purchase by public agencies has however led them to neglect the quality of the grain. Having reached this stage in Punjab and Haryana, efforts should be made to promote the cultivation of 'A' category wheat in aestivum and durum in accordance with the quality preferences seen in international markets. This will bring better returns to farmers and also ensure a place in the global market for premium quality wheat of the country.

W.2.5 Even with the existing average low yields, the country has been producing more wheat than it could consume domestically in recent years and export at an economic price. Domestic consumption would have been more if poor and destitute people had purchasing power. This is illustrated by the balance sheet of wheat which has been updated using the latest available data.

Table - 2 (B)

Domestic Wheat Situation

(Million Tonnes)

Year (April-March)	2002-03	2003-04	2004-05
Gross Production	72.77	65.10	72.74
Net Production	63.67	56.96	63.65

(87.5% of Gross Production)

Procurement	19.06	15.80	16.80
Offtake including	24.99	24.19	22.00
i. (Export Sale)	5.53	7.22	5.00
ii. (Open Sale)	5.27	0.93	1.00
Addition to Stock	-5.93	-8.39	-5.20
Supply	64.07	58.13	63.85
Average Stock in excess of the Buffer point	31.94	16.78	12.00
Max.supply Perceived by the market	96.01	74.91	75.85
Consumption Demand	54.11	55.12	56.14

- a. Gross production : Fiscal 2002-03 and 2003-04 data relate to final official estimates of the preceding crop years. Fiscal 2004-05 data relate to fourth advance estimates for the 2003-04 crop year. Final estimates for 2003-04 could undergo further changes in due course.
- b. Procurement : Comparative figures show that procurement during 2004-05 has been much higher in all the states except Haryana, Uttaranchal and Himachal Pradesh.
- c. Offtake : Figures for 2002-03 and 2003-04 are rounded off actuals as reported by the Department of Food and Public Distribution. For 2004-05 offtake has been projected at 22 million tonnes. The Commission's projections are based on the offtake trends under different categories during April-June 2004-05 and on the assumption that offtake as a percentage of allotment would continue in the same manner as the year progresses. Exports are likely to come down since the government has hiked the price for release of wheat for exports.

- d. Supply : Defined as Net production (-) Procurement (+) Offtake (-) Export sale. It is assumed that export sale by the FCI does not find its way back to the domestic market.
- e. Average stock in Excess of the Buffer norm : Defined as average of actual stock (-) average of buffer norms at four points of time, namely, 1st April, 1st July, 1st October and 1st January. This is perceived by the market not as a dead stock but as a source of potential supply, which tends to curb speculative expectation against prices moving up.
- f. Maximum supply perceived by the market : Defined as a sum of (d) and (e) above.
- g. Consumption demand : The consumption demand is derived as a product of average per capita consumption based on NSS 57th Survey on Consumer Expenditure (July 2001-June 2002) and projected population. Details have been explained in Commission's Report for kharif crops of 2004-05.

W.2.6 The domestic wheat situation highlights that in the past few years, there has generally been an excess supply of wheat in relation to its demand. In future (unless production is stepped up) this gap is likely to contract. The demand for wheat and wheat products is likely to rise with a change in dietary habits consequent upon rising urbanization. From 1993-94 onwards the per capita consumption of wheat and wheat products in urban areas has been rising faster than in rural areas. In 2002-03, the per capita monthly consumption of wheat and wheat products stood at 4.59 kg per capita in urban areas compared to the per capita consumption of 4.34 kgs of wheat in rural areas as brought in the data on household consumer expenditure 58th Round (July-December 2002) of NSSO. While wheat accounts for 46.69 per cent of total cereal consumption in urban areas, it constitutes only 35.93 per cent of the same in rural areas. The change in diet in favour of wheat and wheat products by including bread and biscuits in the consumption basket is likely to emerge stronger in coming years with greater urbanization. To match the higher demand on account of the change in dietary preferences it is essential to ensure adequate supplies. For this to happen, renewed efforts to raise production and productivity of wheat need to be made.

Table - 2 (C)

Per Capita Consumption of Wheat in Rural and Urban Areas in 30 days

(Kg.)

	1987-88	1993-94	1999-00	2000-01	2001-02	2002-03
Rural	4.48	4.32	4.45	4.59	4.12	4.34
Urban	4.37	4.44	4.45	4.57	4.51	4.59

Source : National Sample Survey Organisation

W.2.7 There are also other areas that are equally important which would require intervention by the government. The data on market arrivals of wheat show that about 34.8 per cent of net production in the country is traded through mandis. In Punjab and Haryana 79.8 per cent and 73.3 per cent of net production (12.5 per cent of production is reduced on account of seed, feed and wastage) arrive in mandis. Since close to 98 per cent of market arrivals in Punjab and Haryana are procured by government agencies, they have been made to bear the cost of the institutional support received from mandis for undertaking MSP operations. In most of the other states because of lack of any institutional support, farmers are forced to sell their produce to local traders. Private initiatives by corporate groups to directly buy from farmers have been thwarted by regulations on licencing, payment of purchase tax etc. The Commission recommends that wherever state governments have been unable to set up institutional facilities and no regulated marketing infrastructure is in place, corporate groups may be permitted to purchase produce directly from farmers so that they have alternative avenues for selling their grain.

W.2.8 In the last two years, the FCI has been more responsive to opening purchase centres in states other than Punjab and Haryana. Heeding the advice of CACP, most of new purchase centres were opened by FCI outside these two states. In Madhya Pradesh the number of the centres increased from 25 to 166 and in Bihar from 37 to 100 from 2001-02 to 2003-04. Some farmers in these states thereby could also get the benefit of institutional support. The result is seen in the increased procurement made from Madhya Pradesh and Bihar.

W.2.9 Procurement of wheat during 2004-2005 marketing season stood at 16.71 million tonnes (7/7/04) i.e. 5.8 per cent higher than the procurement of 15.8 million tonnes made in 2003-04. The procurement was however 2.3 million tonnes less than the procurement made in 2002-03 marketing season when the level of production was almost the same. The share of Punjab and Haryana was 55 per cent and 30.6 per cent respectively of the total procurement made in 2004-05. In Haryana on account of lower production, the level of procurement in 2004-05 was less than in the previous year. Procurement in most of the wheat producing states in 2004-05 marketing season was higher than in 2003-04. In Uttar Pradesh, Madhya Pradesh and Bihar 1.7, 0.3 and 0.01 million tonnes respectively were procured in 2004-05 which were much higher than in many of the earlier years albeit lower than the previous peak level. With the focus on measures to raise production to be concentrated in the states of Uttar Pradesh, Madhya Pradesh, Bihar and Rajasthan, the Commission recommends that FCI directly opens purchase centres so that farmers in these states too can derive the benefit of MSP operations.

W.2.10 In 2003-04 for the second consecutive year the offtake of food grains remained higher than the accretion. The offtake of wheat was 24.2 million tonnes and that of rice 23.7 million tonnes in 2003-04. Consequent upon the drought in 2002-03 and the scarcity of foodgrains in the open market, the offtake of cereals remained high in 2003-04 till October 2003. Offtake from April to September 2003 was as much as 13.7 million tonnes of wheat and 13.5 million tonnes of rice. With arrival of the kharif crop from October onwards the offtake has declined in subsequent months.(Table 2.12)

W.2.11 In 2003-04, total offtake has been a reduced proportion of the allotment made to states. Based on demand raised for TPDS and relief programme from the state governments, an allotment of 36.9 million tonnes of wheat was made to them in 2003-04. The actual offtake has been only 28.61 per cent of allotment in 2003-04 which was lower than 42.7 per cent picked up in 2001-02. The offtake in the major wheat consuming states of Uttar Pradesh, Bihar, Rajasthan and Maharashtra has been about a quarter of their allotment. Each individual state may be justified in picking up a small portion of the allotment sought by them. However, it collectively places the Central government in a difficult position with regard to planning the logistics, storage and movement of grain during the year. The Commission recommends that state governments should place their demand for foodgrains only after assessing the ground level requirement in their states including crop prospects.

W.2.12 The position with regard to procurement, distribution and stocks is given in table 2 (D).

Table 2 (D)

Procurement, Offtake and Stocks (Central Pool)

(Lakh tonnes)

Fiscal Year	WHEAT				RICE			
	2001-02	2002-03	2003-04	2004-05	2001-02	2002-03	2003-04	2004-05
Opening Stock	215.04	260.39	156.45	69.31	231.91	249.12	171.57	130.69
Procurement	206.30	190.55	158.02	167.07	221.29	164.23	220.98	220.00
Offtake	159.89	249.92	241.93	220.00	153.15	246.42	237.37	220.00
BPL	42.16	63.41	67.15	67.00	58.36	71.73	80.36	80.00
APL	6.87	17.98	22.45	22.00	14.19	12.80	19.72	19.00
Antyodaya	7.75	16.38	17.48	18.00	9.04	19.00	20.76	20.00
Other welfare	23.79	44.13	53.40	53.00	48.06	69.67	81.61	77.00
Open Sale	51.97	52.74	9.26	10.00	4.01	3.87	4.05	4.00
Export Sale	27.36	55.28	72.20	50.00	19.49	69.35	30.88	20.00
Carry over stock	261.46	201.02	72.54	17.31	300.05	167.39	155.17	130.69

Source : Food Bulletin, June 2004 and Commission's estimate for 2004-05.

W.2.13 Since 1st July 2002 there has been no upward revision in the Central Issue Price. The issue price of wheat at Rs.610 for APL is less than the MSP of Rs.630 per quintal in 2004-05 marketing season and this difference from MSP has widened in the last two years. The issue

price for BPL has also remained fixed at Rs.415 per quintal. At the same time, there has been an increase in procurement incidentals from Rs.134.68 in 2001-02 to Rs.156.30 per quintal in 2003-04. The economic cost of supplying wheat has as a result gone up from Rs. 852.90 to Rs. 952.50 per quintal during 2001-02 to 2003-04.

W.2.14 The total stocks of rice and wheat held by FCI and state governments on 1st June 2004 stood at 31.6 million tonnes comprising 12.2 million tonnes of rice and 19.4 million tonnes of wheat. The stocks were higher than the buffer norm of 11.8 million tonnes of rice and 4 million tonnes of wheat required for the period. For two consecutive years the drawals from stocks have been larger than accretion. This situation should not lead to panic imports of wheat by government agencies. As stated in the Report of the Commission for Agricultural Costs and Prices on price policy for rabi crops of 2003-04 season, the building and depletion of stocks may be considered as part of the measures needed for stabilizing the markets so as to give right signals to farmers to invest and raise productivity. (Table 2.1)

W.2.15 The wheat balance sheet allows us to understand the factors heading to the upturn in prices from September 2002 onwards. In 2002-03 the index number of wholesale prices for wheat rose by 0.2 per cent over the previous year. In 2003-04 the price rise was even higher by 3.2 per cent. The arrival of the new crop led the prices to soften and in May 2004, the index stood at 178.0 (base 1993-94=100). The index number of wholesale prices of wheat stood at 179.5 in June 2004. At this level the index was 1.9 per cent higher than in the previous year. (Table 2.20)

W.2.16 In April-May of the 2004-05 marketing season, the MSP of wheat at Rs.630 per quintal was virtually the ruling price across the markets of Punjab and Haryana. Prices of wheat were quoted at Rs.630 per quintal in Kapurthala, Patiala and Ludhiana (Punjab) and Kurukshetra, Kaithal and Sonapat (Haryana). Prices in Bihar and Rajasthan ruled above MSP at Rs.775 in Patna and Rs.640 per quintal in Jaipur in April 2003. Prices were quoted below MSP in the post harvest months at Rs.613-615 at Aligarh and Rs.580 per quintal at Bahraich in Uttar Pradesh where decentralized procurement was undertaken. The Uttar Pradesh government had sought relaxation of FAQ. The Central Government did not allow any relaxation in FAQ during 2004-05 marketing season. The farmers who faced the greatest distress in the marketing season were perhaps those located in Hoshangabad, Tikamgarh and Raisen, the notified districts for Farm Income Insurance Scheme in Madhya Pradesh. They found to their dismay lack of any government agency willing to purchase their grain. Prices crashed and the state government subsequently intervened to help. This was of small consolation to farmers who had already sold

their produce at rock bottom prices. The Commission recommends that the announcement of MSP should be accompanied with institutional arrangements to buy the produce at the price. Only then will farmers have the confidence to invest in agriculture. (Table 2.24)

W.2.17 The Commission would like to reiterate its view that the MSP policy, which has played a crucial role in India's achievement of foodgrains self-sufficiency, cannot be dispensed with, at least in the short to medium run or till an alternative workable mechanism is evolved. However, a number of distortions that the price support / procurement system has suffered in recent years need immediate correction. First and foremost, MSP should be announced well before the sowing season so that the farmers know in advance the guaranteed price for different crops and plan accordingly. Second, MSP should not be fixed at a level which made it inordinately misaligned with the market price. Third, non-price policies should be pursued vigorously to keep up productivity and improve quality so that costs remain within reasonable limits. Fourth, excessive fiscal levies on MSP purchases in some States should be eliminated so that levies and prices are uniform across regions. Fifth, there should be no compromise with the quality norms for public procurement. Sixth, MSP should be implemented in all States, rather than allowing it to remain confined to a few states. The need for timely announcement of MSP hardly needs any emphasis. The Government has quite after been remiss in this respect. However, the situation in this respect did improve during the 2004-05 marketing season. For example, the Commission submitted its Rabi report for 2003-04 crops to be marketed in 2004-05 season on 22.7.2003. The Government announced the price policy on 18.12.2003 which was marked improvement over the previous year when it was announced on 13.2.2003. Timely announcement allows the farmers time for important decision making and enhances Governments ability to influence their decisions on crop pattern adjustments.

W.2.18 The government decided to release stocks for exports from its bulging stocks in November 2000 at BPL issues prices. In 2001-02 3.8 million tonnes was exported. Releases continued at less than MSP leading to exports of 6.8 million tonnes in 2002-03 and 5.3 million tonnes in 2003-04 as reported by Ministry of Food. While these transactions were profitable for individual exporters, they placed a hefty burden on the Central exchequer to the tune of 7145 crore rupees. The government soon realized that such exports were unsustainable. The prices from 1st January 2004 have been fixed higher than MSP but less than economic cost. In June 2004, for the quarter July 2004 to September 2004 the release price for wheat of 2003-04 vintage has been fixed at Rs.7000 per tonne. The Commission recommends that MSP should be

considered as the base price by the High Level Committee in deciding and notifying the price applicable for export releases from the central pool.

W.2.19 At the global level, large scale exports of wheat are constrained by shrinking margins for traders from India. The release price of wheat from government stocks to exporters has been hiked and there has also been downward pressure on international prices because of higher global production. According to FAO's forecast (Food Outlook June 2004) world wheat production in 2004 would be 595 million tonnes, 35 million tonnes higher than in 2003. A sharp recovery in output in Europe, and a small increase in Asia would more than offset the reduced crops expected in North America and in Oceania. In China and the USA, the acreage under wheat has gone down while winter frost hit the wheat crop in Ukraine and the Russian Federation. In India, unseasonal high temperatures and scarce precipitation during the maturation stage have deteriorated the outlook. But after larger plantings, production should nevertheless still be well above last year's poor level and above average.

W.2.20 FAO's forecast for world trade in 2004-05 stands at 98 million tonnes, down considerably from 102 million tonnes in 2003-04. The bulk of the expected decline is due to much smaller requirements in Europe, given the anticipated strong recovery in that region's production. Besides the change in the basis for calculating world trade caused by the enlargement of the EU from 15 to 25 Member States has also contributed to the forecast for the reduction in world trade. China is likely to emerge as the largest importer as the country is forecast import 7 million tonnes in 2004-05 compared to 2.8 million tonnes in 2003-04. Global wheat stocks for crop year ending 2005 is forecast at 140 million tonnes, 16 million tonnes lower than 2004. Most of the decline is on account of the reduction in stocks in China by 15 million tonnes. In India, total wheat inventories are likely to stabilize at 15 million tonnes. Good crop prospects and the slow pace of exports has put downward pressure on international export prices. Despite occasional price swings the US wheat No.2 (HRW fob) averaged US\$ 167 per tonne in May 2004 down US\$4 since 2004 but still US\$20, or 14 per cent, above the corresponding period last year.

W.2.21 Generally favourable weather conditions and expectations of a strong rebound in world wheat production in 2004 kept wheat futures under pressure. By late May, the September wheat futures contracts at the Chicago Board of Trade were quoted at US\$ 141 per tonne almost US\$ 10 lower than in April. Early indications point to weaker wheat prices in 2004-05 in view of the improved supply situation and weaker import demand.

BARLEY

Production of barley, has been declining steadily at the All India level from 1.68 million tonnes in 1997-98 to 1.42 million tonnes in 2001-02 and was reported slightly lower at 1.41 million tonnes in 2003-04. Barley is grown mainly in Uttar Pradesh and Rajasthan, which together account for around 70 per cent of total area and production in the country. The other states where barley is cultivated on a large scale are Madhya Pradesh, Haryana, Punjab, Bihar, Himachal Pradesh and West Bengal. The crop can grow well in saline soils and is grown in some pockets of Gujarat also. Traditionally a subsistence crop, barley has been experiencing decline in both area and production in every major state due to its gradual elimination as an item of direct household consumption. Barley has lost area at the rate of about 6 per cent per annum in the 1980s. This decline slowed down to 2.6 per cent in the 1990s. Largely as a consequence of shift in area, production of barley has declined at the rate of 2.5 per cent per annum in the 1980s and a little less than 1 per cent per annum in the 1990s. The ICAR and its affiliated institutions have developed a number of high yielding varieties of barley suitable for malting and brewing industry. As a consequence, the yield of barley has witnessed increased from 1114 kgs in TE 1981-82 to 1595 kgs in TE 1990-91 and to 2001 kgs per hectare in TE 2002-03. However, the yield growth, which was impressive at the annual rate of over 3.4 per cent in 1980s, has decelerated significantly to above 1.7 per cent in 1990s. This calls for a renewed thrust in boosting the yield of barley. Since this crop is now catering to the raw material needs of the malt and beverage industry in increasing quantities, and is likely to do so in future, this is one area in which all round cooperation of the private industrial sector should be enlisted for mutual benefits to both the cultivators and the industry. (Tables 2.1 & 2.2)

B.2.2 Authentic data on disappearance of barley for different usage are hard to come by. Barley is consumed as foodgrain, feedgrain and an intermediate product mainly as malt in the drinks and beverage industry. Based on NSS 55th Round (1999-2000) the Commission has estimated the household consumption to be about 0.5 million tonnes as compared to a production

level of 1.40 million tonnes. The balance goes to manufacture of beer and other industrial uses apart from seed and animal feed. In recent years that there has been excess production/supply of barley vis-à-vis demand is borne out by the movement of prices of barley, represented by its WPI, shot up in sympathy with the sharp rise in the prices of all other foodgrains, price of barley have declined in large measure in 3 out of the past 4 years. During 2003-04, WPI of barley declined by 7.4 per cent over 2002-03. Movement of WPI during April to June 2004 indicates that prices of barley would remain depressed during 2004-05. In June 2004, the index number of wholesale price (base 1993-94=100) for barley stood at 172.4, 5.9 per cent lower than in June 2003. (Table 2.20)

B.2.3 In some earlier reports, including that for the 2000-2001 season the Commission had reported that the open market prices of barley in the major producing states generally ruled above the MSP and that this obviated the need for any price support operations. The situation has changed from 2001-02 marketing season with supplies being in excess of demand. As mentioned in the last three rabi reports, neither FCI nor the State agencies intervened to provide price support. As a consequence, open market prices of barley in many markets of the country ruled even below Rs.525 per quintal during 2004-05 marketing, particularly, in Punjab and Uttar Pradesh. Having noted the Government's failure to provide any price support, the Commission in it preceding two rabi reports recommended that the Government should transfer the task of price support operations from FCI to NAFED. The Commission is dismayed that the Government again failed to make any arrangement for price support to barley during the 2004-05 marketing season after announcing its MSP. The Commission recommends that the Government alongwith the announcement of MSP should also clearly notify the public agency responsible for carrying out price support operations especially for coarse cereals like barley.

B.2.4 Based on the recommendations of the Commission, the Government fixed the MSP of Barley at RS.525 per quintal for the 2004-05 marketing season. Month-end wholesale prices of barley in 2004-05 marketing season was quoted below MSP at Rs.505-510 in April-May 2004 in Aligarh and Rs.495-515 per quintal at Hathras (Uttar Pradesh). The price ruled at Rs. 495-490 per quintal in April-May, 2004 in Bhatinda (Punjab) which shows the apathic treatment meted to the crop even in an agriculturally progressive state. (Table 2.25)

B.2.5 The volume of world trade of barley is quite sizeable at around 15.5 million tonnes (FAO Food Outlook No.1 April 2004), roughly 11 per cent of its global production. Although, global price quotes on barley are not available, traded prices of barley cannot be much different than those of maize or sorghum. In May 2004, prices of both sorghum and maize (US

No.2 yellow) were in the range of \$ 125-130 per tonnes FOB about 20 dollars higher than in May 2003. The FAO (Food Outlook No.2, June 2004) expects coarse grains prices to decline but still remain firm during the rest of the calendar year. September futures of maize stood at US \$ 118 per tonne. The price quotations for barley are likely follow similar trend.

RABI PULSES

India is the largest producer of pulses in the world with nearly 25 percent share in global production. In the domestic foodgrains sector too, pulses occupy a prominent place with 7 percent share in production. Apart from being a leading producer, India is also a largest consumer of pulses, but its domestic production in recent years has remained stagnant and is short of demand.

RP.2.2 The country's pulses production increased marginally from 14.3 million tonnes in 1990-91 to record 14.91 million tonnes in 1998-99. Thereafter, it decreased to 13.37 million tonnes in 2001-02 and to 11.14 million tonnes in 2002-03. The production of rabi pulses, which accounts for two third of total pulses production, also moved up from 8.85 million tonnes in 1990-91 to 9.77 million tonnes in 1998-99, but then decreased to 8.53 million tonnes in 2001-02 and to 7.03 million tonnes in 2002-03. During 2003-04, there was an all round recovery in pulses production, as total pulses production picked up to 14.89 million tonnes (3rd Advance Estimate) and that of rabi pulses to 8.66 million tonnes.(Table 2.1)

RP.2.3 The area under total pulses had been hovering around 23 to 24 million hectares during nineties. However, it sharply decreased to 21.8 million hectares in 2001-02 and further to 20.1 million hectares in 2002-03. The area under rabi pulses also remained unchanged at the level of 13.2 million hectares in 1990-91 as well as in 1998-99. Subsequently, It decreased considerably to 11.1 and 10.4 million hectares in 2001-02 and 2002-03 respectively. The share of area coverage of rabi pulses remains two third of total pulses area in the country. As in the case of production, there is hardly any variation in the proportion of area under rabi pulses to total pulses. (Table 2.1)

RP.2.4 Pulses are generally grown under rain-fed conditions in marginal lands with low levels of input usage and accordingly yields are low. The irrigated area accounted for only 16.8 % of total area under pulses in 1999-2000. The share of gram in irrigated area of the total area under pulses has increased from 19.7% in 1990-91 to 30% in 1999-2000. This is in tune with the increase in irrigated area under pulses from 10.4% to 16.8%.

RP.2.5 For increasing production of pulses in the country, the Centrally sponsored scheme of National Pulses Development Project (NPDP) was being implemented in 356 districts of 30 States and Union Territories on 75:25 pattern between Government of India and the States. Under NPDP scheme, incentives are being provided to farmers for production and distribution of certified seeds, seed mini-kit, rhizobium culture, micronutrients, sprinkler sets, improved farm implement, plant protection equipments etc. so as to motivate them to take up the cultivation of pulses on a large scale. Besides, for effective transfer of improved pulse production technology, field demonstrations on farmers' fields and farmers' training are also organized. Now the central assistance forms part of the integrated scheme of oilseeds, pulses, oil palm and maize (ISOPOM).

RP.2.6 The Working Group set-up by the Planning Commission for 10th Five Year Plan has worked out the domestic demand and supply of pulses in the country. As per the normative approach, the demand for pulses in the terminal year of 10th plan i.e. 2006-07 works out to 17.7 million tonnes. An independent assessment of consumption demand projected on the basis of unit wise data of 55th Round NSS and consumption elasticity thereof for the year 2004-05 is pegged at 15.3 million tonnes. As against this, the present production level of pulses is 14.42 million tonnes. If we take the average production of 14 million tonnes, then the estimated demand supply gap in pulses works out to around 3 million tonnes. This gap is being met through the import of pulses under OGL. Taking into consideration, the several constraints involved in the production of pulses, the year-wise production targets for 10th plan have been worked out by the Planning Commission keeping a growth rate of 5.43 per cent as given below.

Year	Target (lakh tonnes)
2003-04	144.20 (Anticipated production as per advance estimates)
2004-05	162.00

2005-06	170.90
2006-07	180.10

RP. 2.7 At present pulses can be imported under OGL and the basic duty is only 10 per cent. The Government of India may consider rationalizing the duty structure so that imports are discouraged, particularly in year of good crops. It is necessary to remember that the supply chain in Pulses, especially imported pulses, is rather long. There are far too many intermediaries adding to the cost, but not to the value of the product. The trade is highly fragmented and there is little monitoring.

RP.2.8 The difference between the landed cost of imported pulses and the retail level is rather big. Often, consumers end up paying 30-40 per cent more than the cost of imported material ex-docks. If past experience is any guide, it is unlikely that the benefit of lower duty will be passed on to consumers. Indeed, pulses importers have got into a loop – like their edible oil counterparts – whereby they are forced to continue to import more and more to pay for previous consignments that were bought on credit. This is one of the reasons why the country ended up importing nearly 22 lakh tonnes last fiscal, showing an increase of 600 per cent from the previous year's 3.5 lakh tonnes. The Commission recommends that Government should rationalize the import duty on pulses and oilseeds to discourage imports and also nominate NAFED to undertake the task of monitoring the quality of imports of these commodities.

GRAM

Gram is the most important pulse crop grown in the country in terms of area as well as production. It accounts for nearly 28 percent of total pulse area and 38 percent of total pulse production in the country. Amongst the rabi pulses, gram dominates with 55 percent share in area and 60 percent share in production.

G.2.2 The production of gram has been fluctuating around 5 million tonnes during the past ten years. In 1990-91, the production of gram in the country was 5.36 million tonnes, which attained its peak level of 6.8 million tonnes in 1998-99. However, it dipped down to 3.86 million tonnes in 2000-01. During 2001-02 and 2002-03, the production of gram was 5.47 million tonnes and 4.13 million tonnes respectively. During 2003-04, its production moved up to 5.67 million tonnes. These production fluctuations were resultant to the inconsistency of area as well as productivity. Area under gram during 1990-91 was 7.52 million hectares. It reached to the level of 8.47 million hectares in 1998-99, highest since 1964-65. But it also reached an all time low of 5.19 million hectares. Moreover, the yield of gram has remained more or less stagnant over time. The highest ever average yield was 8.53 quintals per hectare in 2001-02 which again declined to 7.28 quintal per hectare in 2002-03 due to drought. The results of national demonstration trials for gram conducted by ICAR show that the potential yield of as many as 23 different region specific varieties released during 1995-2003, varies between 15 to 30 quintals per hectare. These varieties are resistant to wilt, root rot, tolerant to Ascochyta, bold seeded, drought tolerant, suitable for saline conditions etc. This wide gap between the potential and actual yield demonstrates the common problem in transfer of technology to the farmers across the whole range of crops. In fact, the wide publicity of these varieties through a reinvigorated state extension machinery, electronic and print media & through Kisan Call Centres/Krishi Vigyan Kendras can at least double the yield and production of gram. (Table 2.1)

G.2.3 Gram is grown mainly in the states of Madhya Pradesh, Andhra Pradesh, Karnataka, Maharashtra, Bihar, Gujarat, Haryana and Rajasthan. During 1991-92 to 2002-03, the production of gram increased from 47 thousand tonnes to 382 thousand tonnes in Andhra Pradesh, from 77 thousand tonnes to 258 thousand tonnes in Karnataka, from 206 thousand tonnes to 449 thousand tonnes in Maharashtra. During the same period, it declined from 1.7 million tonnes to 1.6 million tonnes in Madhya Pradesh, from 148 thousand tonnes to 65 thousand tonnes in Bihar, from 40 thousand tonnes to 29 thousand tonnes in Gujarat and from 201 thousand tonnes to 41 thousand tonnes in Haryana. (Table 2.5)

G.2.4 The production of gram is not able to keep pace with the rising internal consumption. During 2000-01, a quantity of 8.3 thousand tonnes of gram was imported which increased to 15.68 thousand tonnes in 2001-02, even though the production increased from 3.86 million tonnes to 5.47 million tonnes during the same period, showing a sharp rise in internal consumption. Imports of gram in 2002-03 more than doubled as compared to the preceding year. (Table 2.17)

G.2.5 The open market prices of gram during the peak marketing season did fall below the MSP of Rs.1400 per quintal in the market of some of the states during the marketing season of 2004-05(April-June, 2004). The month-end wholesale prices in April 2004 ruled below MSP in Jaipur, Sri Ganganagar and Pilibhangan markets of Rajasthan. The wholesale prices also ruled below MSP, within a range of Rs.1250-1391 per quintal in Jhansi and Banda in Uttar Pradesh

and Rs.1350 per quintal in 24 Parganas of West Bengal in the month of April 2004. Delay in timely intervention in the market by NAFED in the above markets was a major factor in the fall in prices below MSP. NAFED did, however, procure a quantity of 282.33 thousand tonnes of gram at MSP in the states of Madhya Pradesh, Maharashtra, Rajasthan, Gujarat, Andhra Pradesh, Chhattisgarh and Uttar Pradesh during the marketing season of 2004-05 (Upto 30.6.2004). The Commission is concerned over the fall in prices below MSP in some of the states, thereby resulting distress to the farmers and recommends that NAFED and the major gram producing states should make timely arrangement by opening procurement centres so that distress sale is prevented in future.

(Table 2.10)

MASUR (LENTIL)

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Masur (lentil) is the next important pulse crop of rabi season. In terms of area, it comprises 6.61 per cent of total pulses and 12.78 percent of rabi pulses in 2002-03. The area under masur increased from 1.19 million hectares in 1991-92 to 1.33 million hectare in 2002-03 i.e. 10.52 percent to 12.78 percent of coverage of the rabi pulses in the same period. Uttar Pradesh had the largest area under masur at 556 thousand hectares in 2002-03 showing a marginal increase over 1991-92 at 542 thousand hectares, Madhya Pradesh was the next state with 438 thousand hectare in 2002-03 from 335 thousand hectare in 1990-91 followed by Bihar with 189 thousand hectare showing no change in area over 1990-91.

M.2.2 Out of the total production of 878 thousand tonnes in 2002-03, Uttar Pradesh recorded maximum production of 458 thousand tonnes, which increased from 431 thousand tonnes in 1990-91. In Madhya Pradesh at 169 thousand tonnes, there is hardly any change in production over 1990-91. Bihar is practically stagnant with 164 thousand tonnes as against 168 thousand tonnes in 1990-91. The All India yield of masur also decreased from 717 kg. per hectare in 1990-91 to 663 kg. in 2002-03.

(Table 2.6)

M.2.3 On an all-India basis, area under masur showed substantial increase from about 910 thousand hectares in TE ending 1981-82 to 1127 thousand hectares in TE 1990-91, then to 1469 thousand hectares in T.E 2001-02, but declined to 1423 thousand hectares in TE 2002-03. This gives an annual growth rate of about 2.2 per cent in 1980-81 to 1990-91, about 2.7 percent in the 1991-92 and 2001-02 and 2.09 percent in 1991-92 and 2002-03. In Uttar Pradesh, area growth decelerated sharply from about 5.5 per cent in 1980-81 to 1990-91 to 1.7 per cent in the 1991-92 to 2002-03. In Madhya Pradesh, however, growth of area under masur witnessed significant acceleration from 1.5 per cent in 1980-81 to 1990-91 to about 3.8 per cent during 1991-92 to 2001-02, but decreased to 2.72 per cent in the period 1991-92 to 2002-03. The growth in area in Rajasthan turned positive from (-) 4.74 per cent in the period from 1980-81 to 1990-91 to 1.69 per cent in 1991-92 to 2002-03. (Table 2.2)

M.2.4 Like all pulses, the all India yield of masur steeply declined from 717 kg. per hectare in 1990-91 to 619 in 2000-01 and stagnated at about 664 kg. per hectare in 2001-02 and 2002-03. As for yield, masur witnessed virtual stagnation or even decline during the 1990s in all the three prominent producing states, causing similar stagnation in the all-India yield rate. Since overall productivity remained stagnant, the modest annual growth in production at above 2.7 percent is attributable entirely to expansion of area, mainly in Madhya Pradesh and to a certain extent in Uttar Pradesh. The increase in production occurred mainly due to expansion in area.

M.2.5 Data derived from national demonstration trials conducted by ICAR show that the potential yields of masur of different region-specific varieties range from 12.5 to 17.5 quintals per hectare. These bold seeded varieties characterized resistance to one or the other diseases, such as, rust, wilt, blight and mildew. Even after allowing for normal differentials between yields derived from demonstration trials and what is possible under conditions in the farmers' fields, it appears that production of masur in the country could be doubled without expanding the area coverage, provided appropriate steps are taken to enable farmers to adopt the recommended practices. Indeed, Rajasthan has already achieved a yield level of 1189 kg per hectare almost double of the national average during 2000-2001 which was a good year. However, Rajasthan's area coverage had fallen from 14 thousand hectare in 1990-91 to 6 thousand hectare in 2002-03. There is no reason why Rajasthan's yield rate cannot be replicated in other states, particularly in MP, UP and Bihar. In Rajasthan, masur should be encouraged as it could offer a better alternative to barley, which of late is facing a serious problem on the price front.

M.2.6 The export of masur continuously increased from 16.63 thousand tonnes in 1994-95 to as high as 191.13 thousand tonnes in 2000-01. In 2002-03, however, exports declined to 86.39 thousand tonnes and again to 51.85 thousand tonnes in 2003-04 (April-September, 2003). In relative terms, masur to the extent of 20.9 per cent of total production in 2000-01 was exported which declined to 9.84 per cent in 2002-03. The main exporting destinations of Indian Lentil are Bangladesh, Sri Lanka, Egypt and United Arab Republic. The Commission recommends that the reasons for continuous deceleration in exports may be studied. There is an urgent need to take quick measures for regaining the lost ground in exports.

M.2.7 From the production and level of exports, it is reasonable to assume that demand in internal and export market has remained buoyant. The month-end wholesale prices of masur has shown rising trend over the years. It remained in the range of Rs.1375 – 1860 in 2001-02, Rs.1500 – 2075 in 2002-03, Rs. 1700 – 2600 in 2003-04 and Rs.1700-1960 in 2004-05 (April-May, 04) in the major markets of the country. These prices have always prevailed at a much higher level than the MSP of Rs.1200, 1300,1320 & 1500 in these years. (Table 2.27)

M.2.8 In 1998-99, the WPI recovered to the preceding year's level and gained another 6.6 per cent in 1999-2000. Since then, the WPI declined by 4.2 and 1.4 per cent successively, but showed a revival by 5 per cent in 2002-03 and 9 per cent in 2003-04. Apart from violent fluctuations in production and therefore in availability, the price of masur, or for that matter any other pulses, is strongly influenced by the price situation of other pulses. For example, sustained fall in the prices of tur during 1999-2000 to 2001-02 had an adverse impact on the prices of masur and its revival led to improvement in the prices in 2002-03 and 2003-04.

(Table 2.21)

M.2.9 Masur was brought under the price support system with effect from the 2001-2002 marketing season. Open market prices of masur remained much above the MSP since then, requiring no price support operation by NAFED. For example, month-end, open market prices of masur ruled in the range of Rs.1900-1975 and Rs.1900-2000 per quintal during the peak season (April-June) of 2003-04 in different markets of Uttar Pradesh and West Bengal as compared to the MSP of Rs.1325 per quintal. Like-wise the month-end wholesale prices were in the range of Rs.1700-1800 and Rs. 1960 per quintal in these states during April-May, 2004. Open market prices were above Rs.2000 per quintal in states like Punjab, Assam and West Bengal during 2002-03 peak marketing season. (Table 2.27)

M.2.10 Though support purchase of masur was not necessary, NAFED made commercial purchase of about 5288 tonnes in 1999-2000, 5794 tonnes in 2000-01, 2421 tonnes in 2001-02, 3068 tonnes in 2002-03, 2648 tonnes in 2003-04 and 4808 tonnes in 2004-05 (upto 30th June, 2004). In 2002-2003, NAFED imported 2200 tonnes of lentil from Canada and again in 2003-04, about 1000 tonnes was imported from Canada. NAFED has, however, made no import of pulses during 2004-05 till date. (Table 2.10)

M.2.11 According to information furnished by NAFED, international prices (C&F) of masur ruled in the range of \$335-415 per tonne during January-December, 2003 which were lower in the range of \$ 380-400 per tonne in 2004 (January-May).

RAPSEED/MUSTARD

Production of rapeseed/mustard after reaching the peak level of 6.7 million tonnes in 1996-97 declined in the following years and is reported at 5.9 million tonnes in 2003-04. From the latter half of the nineties there has been a decline in production in case a moving average is taken. The production of rapeseed/mustard shows large inter year fluctuations despite comparatively better overall coverage of area under irrigation of 58.3 per cent as against 23.2 per cent for all oilseeds. Part of the fluctuations in production of rapeseed/ mustard is attributable to its high sensitivity to variations in weather conditions.(Table 2.1)

R.2.2 Rapid expansion of area under irrigation coupled with the availability of new seed in the 1980s helped production of rapeseed/mustard to grow at a break neck rate of about 9 per cent per annum. In that period, yield of rapeseed/mustard registered a growth of about 5 per cent per annum; overall area also expanded at the rate of about 4 per cent per annum. In contrast, yield of rapeseed/mustard witnessed virtual stagnation in the 1990s, since there was no breakthrough in seed technology. Rapeseed/Mustard is one of the major oilseeds for which no hybrid seed is available although considerable research on producing genetically modified seeds have been undertaken. The procedure for clearance by the Genetically Approval Committee places uncertainty on whether the seeds will be found fit. Stagnation of yield from the 1990s is a cause of concern. Since the growth in

area has also decelerated by 2.87 per cent per annum, it is therefore essential not only to boost yield substantially but also to expand area since the country has a large unmet demand for edible oils which is now being increasingly met by imports. Increasing productivity of oilseeds in general and rapeseed/mustard in particular is also key to the Governments plans for diversification of crops in agriculture and raising income of farmers. In this context, ICAR has released several location specific HYV seeds of rapeseed/mustard having potential yields ranging from 15 to 24 quintals per hectare. They have also synthesised and validated large area IPM models whereby pesticide applications can be reduced. Some of the new varieties have characteristics such as frost tolerance, tolerance to white rust, downy mildew and pod blight and are less susceptible to aphids. Moreover these varieties have high oil content of 40 per cent or more. They need to be multiplied into foundation/certified seeds and popularised across specified locations through front line and other general demonstrations.

R.2.3 Rapeseed/mustard (TE 2002-2003) accounts for about 25 per cent production of 9 major oilseeds including castor seed and linseed which are not edible. In terms of oilseeds, rapeseed/mustard also accounts for about 27 per cent of domestic production of edible oil extracted from 9 edible oilseeds including copra and cottonseed. This is based on a general 33 per cent oil recovery. Thus rapeseed/mustard has a prominent place in the overall domestic supply of edible oil. (Table 2.2)

R.2.4 Rapeseed/mustard seed is used as a spice/condiment for seasoning dals, curries and pickles across India. Regional preferences in consumption of edible oil exists and rapeseed/mustard oil is the major cooking medium in the states of Assam, Arunachal Pradesh, Bihar, Jammu & Kashmir, Orissa, Sikkim, Uttar Pradesh and West Bengal.

R.2.5 During the years 2001-02, 2002-03 and 2003-04 price of rapeseed/ mustard seed as well as rapeseed/mustard oil have been rising. The oil prices have risen more sharply than those of the seed. The rapeseed/mustard seed price rose by 28.8 per cent where as the price of mustard oil moved more steeply by 31.6 per cent as measured by the index number of wholesale prices in 2003-04 over the previous year 2002-2003. (Tables 2.22 & 2.23)

R.2.6 During the rabi marketing season of 2004-05, the price of mustard required price support in the states of Rajasthan and Chhattisgarh where the agency purchased 18480 and 86 metric tonnes of rapeseed/mustard respectively. The stepping in of NAFED led to prices remaining firm and above MSP according to the price quotations available to the Commission. Prices of mustard in March 2004 were quoted at Rs1708 at Alwar and Rs.1670 per quintal at Baran in Rajasthan and at Rs.2100 per quintal in Chhattisgarh as made available by the state governments. In contrast, the prices at Gonda (Uttar

Pradesh) remained less than MSP at Rs.1415 in April and Rs.1500 per quintal in May 2004. (Table 2.10)

R.2.7 NAFED faces several problems in undertaking price support operation in a meaningful manner. The NAFED has informed that the government of India provides sufficient funds for price support, but such provisions are for meeting the losses after completion of operations. The funds required for procurement is drawn out of a cash-credit limit sanctioned by Reserve Bank of India against hypothecation of procured stocks. The NAFED finds it difficult to arrange for the funds to initiate operations. The Commission therefore, reiterates its recommendations made in earlier reports that a revolving fund may be created to enable NAFED to draw upon for undertaking price support scheme operations. Using the base of MSP of Rs.1600 per quintal according to the costing norms of NAFED, the edible oil price works out to be Rs. 4912 per quintal. Using the average market price of Rs.1700 per quintal of mustard seed according to NAFED the cost of oil works out to be Rs.5234 per quintal. In comparison the rapeseed/ mustard oil was selling at Rs.4400-4767 at Delhi, at Rs.5600-5400 at Patna (Bihar) and at Rs.4950-5100 per quintal at Calcutta in April-May 2004. (Table 2.10)

R.2.8 The government have allowed future trading in oilseeds/oils including rapeseed/mustard through the National Multi Commodity Exchange (NMCE) in November 2003. At the exchange spot prices on 20th July 2004 for 20 kg of rapeseed mustard seed was 384 and futures for August and September were noted at Rs. 389 and Rs. 394. The spot price of rapeseed/mustard oil for 10 kgs was Rs. 428, and the futures price for 20th September was also Rs. 428. The market sentiments seem to foresee stability in the price of the rapeseed/mustard oil.

R.2.9 Even though the imports of individual oil namely rapeseed/mustard has not been worrisome, the massive import bill on account of import of edible oils is a matter of concern. During 2002-03 edible oils constituted 2.9 per cent of the value of total imports of all commodities into the country. The share of edible oils rose to 3.4 per cent in 2003-04 (April – January). The government with a view to screen the quality of such imports has placed the import of edible oils as 'high risk' foods in June 2004. The categorisation of edible oils as high risk would mean that all the consignments of imported edible oils would be referred to Port Health Officer for 100 per cent testing.

R.2.10 Presently (effective 1/3/2003) rapeseed/mustard oil in crude and refined form attracts a duty of 75 per cent. The government has also released a tariff rate quote of 1.5 lakh tonnes for rapeseed/mustard oil which can be imported at 45 per cent duty in a financial year. Rapeseed/mustard oil in refined form has not been imported up to May 2004. However 5540 metric tonnes oil was imported during February 2004 in crude form according to information supplied by SEA.

R.2.11 The main reason for lower rapeseed/mustard oil imports as compared to other oil imports in the hardening of global prices of rapeseed/mustard oil during calendar year 2004. Despite of global output of oil/fats forecast to increase in 2003-04 by 3 per cent, because of season's low opening stocks and growth in utilization by 3 per cent, prices will firm up in 2004-05 as forecasted by FAO. The consumption increase in India and China has been considered to be noteworthy.

R.2.12 International prices of rapeseed/mustard converted into Indian rupees were quoted at Rs.3570-3705 per quintal in March–April 2004 which was 11 per cent higher than the corresponding months of 2003. In this scenario with little price differential between domestic and international prices of rapeseed/mustard imports in any sizable magnitude is unlikely to take place.

SAFFLOWER

Safflower is principally grown under rainfed conditions. After reaching a peak level of production of 5.22 lakh tonnes in 1993-94 the output thereafter has been on a decline. Production fell from 2.21 lakh tonnes in 2001-02 to 1.57 lakh tonnes in 2002-03 and further dropped to 1.28 lakh tonnes in 2003-04. The crop is essentially confined to the states of Maharashtra and Karnataka which together account for 96 per cent of production. In Maharashtra according to state government estimates production in 2003-04 is estimated to be 0.81 lakh tonnes. Production in Karnataka and Andhra Pradesh together dropped to about 0.47 lakh tonnes as the two southern states faced a third consecutive drought year in 2003-04. (Table 2.1)

S.2.2 During the period 1991-92 to 2002-03, the production of safflower saw a heavy decline at an annual rate of 6.31 per cent. The area under safflower also declined at a similar rate while yields remained stagnant. In 2002-03, total production was reported at 157 thousand tonnes. The production in Maharashtra was reported at 95 thousand tonnes in 2002-03 with an yield of about 391 kgs per hectare. The recent production performance is markedly below the peak production of about 398 thousand tonnes in 1993-94. The production in Karnataka was reported at 54 thousand tonnes in 2002-03, with average yield of 635 kg per hectare, as against the peak production 146 thousand tonnes in 1994-95. In Andhra Pradesh, the crop is cultivated in a very limited area of 19 thousand hectares,

producing 7 thousand tonnes of seeds, with estimated yield of 368 kg per hectare in 2002-03. (Table 2.8)

S.2.3 Although safflower was brought under price support way back in 1985-86, its performance over the years reflects benign neglect. This is strange in view of the fact that safflower oil is rich in poly unsaturated fatty acids which plays an important role in reducing blood cholesterol levels and is good for the heart. It can also be used in the preparation of infant foods. Safflower oil is considered a healthy cooking medium.

S.2.4 In spite of possessing various desirable qualities this oilseed has not been receiving the attention it deserves. This could be because it lacks an all-India presence. Besides safflower is extremely susceptible to wilt, rust, aphids, altermenaria, mildew, jassids and haliiothis. The crop cannot tolerate standing water even for a few hours. ICAR has reported that it had developed 3 varieties of safflower in 1997 and one in 2000 having potential yield varying from 15-17 quintals per hectare. These varieties are also reportedly tolerant to one of the other diseases mentioned above. Safflower farmers have little or no access to these varieties, perhaps due to lack of adequate arrangements for multiplication and distribution of these seeds. Safflower seed is fairly expensive at Rs. 36 per kg as marketed by Maharashtra State Seeds Corporation Limited in 2003-04. The seed cost of oilseeds in general is much higher than for cereals. With a seed rate of 10 kg per hectare, the cost of planting new material itself becomes substantial at Rs.360 per hectare. Grown under dryland condition, the seed cost is the most important input cost for the farmer and efforts to bring down its cost would be required. Abysmally low yields of safflower means that even a small break in seed technology will substantially impact on production.

S.2.5 The index number of wholesale prices of safflower rose successively during 2001-02, 2002-03 and 2003-04. The average annual increase was as much as 14.5 per cent, 16.8 per cent and 25.5 per cent respectively. The rise was much steeper than the rise witnessed by oilseeds group at 6.4, 16.4 and 11.0 per cent respectively. The prices of safflower softened from March 2004 onwards. In June 2004, the index number of wholesale prices of safflower stood at 178.4 which was 6.8 per cent less than in the previous year.

(Table 2.22)

S.2.6 Price quotations of safflower from Karnataka were not made available to the Commission. In Maharashtra prices ruled below MSP at various markets during 2003-04 even after the announcement of MSP of Rs.1500 for safflower on 18th December 2003. Prices of safflower were quoted at Rs.1200-1300 per quintal at Kalamnuri in November- December 2003 and Rs.1300 per quintal in January 2004 at Pathardi in Maharashtra. Prices ruled at less than MSP of Rs.1300 per quintal fixed for 2003-04 marketing season at various centers during October-January 2003-04. Procurement agencies have informed the Commission that the credit line is made available for carrying out the support operations only from April when the new marketing season begins. As a result farmers whose produce ripens early, are put at a disadvantage. The Commission therefore recommends that instead of waiting for announcement of new prices, the state governments, based on advance reports of crop production, should ensure that adequate arrangements for purchase are made at least at the MSP of the previous year and that subsequent book adjustments are made with the Central Government so that the farmer is not forced to sell under distress conditions.

S.2.7 No purchase either for price support or commercial purposes of safflower seed was made by NAFED in 2003-04. However, commercial purchase of a small quantity of 507 tonnes was under taken by the agency in 2004-05 marketing season. (Table 2.10)

S.2.8 The NAFED based on their past experience, and using a 30 per cent recovery of oil, have worked out that cost of 1 kg oil to a consumer based on support price of Rs.1500 per quintal would be Rs.56.49 per kg which is substantially higher than for other substitutable oils. The wholesale price for the oil as reported by SEA was Rs.56.25 per kg in May 2004 which implies that processors enjoyed a moderate margin.

S.2.9 Futures trade in safflower seeds as well as oils has been allowed at the National Multi Commodity Exchange. On July 22nd, 2004, spot price were quoted at Rs.360 and futures at Rs.360.20 for August/Rs.360.80 for October 2004 for 20 kg of safflower seed indicating that trade foresees stable prices for the seed in the near future. Similar price expectations for safflower oil prevailed at Rs. 545 for 10 Kg both for spot and future transactions.

S.2.10 There is hardly any global trade of safflower and there are no international price quotes for safflower oil. Domestic prices of

safflower oil are influenced by the price of other edible oils and the total volume of imports. The duty structure of safflower oil has been kept at par with sunflower oil. In crude form it attracts a duty of 75% and in refined form 85 per cent. Clubbed with sunflower oil, it is covered under TRQ of 1.5 lakh tonnes at a lower duty of 50 per cent. However, in the absence of any trade, the duty structure is irrelevant.

III. BEHAVIOR OF INPUT PRICES AND COST OF PRODUCTION

In formulation of support price policy, CACP takes into account several factors. Amongst these factors, the cost of production is the most important. The data source for this vital information is the statistical designed Comprehensive scheme (CS) of cost of cultivation, operated by Directorate of Economics and Statistics. The estimates of cost of production, besides considering paid out operational cost covering the items of input costs that are actually paid by farmers for each of the crops grown by them also accounts for imputed value of family labour, owned value of inputs, rental value of owned land, interest on capital etc. The Commission, in its interaction with the State Governments and other organizations, also receives their feedback and information on state specific input prices and the estimates of cost of cultivation if generated by State Government. Further, the updated indices on prices of inputs and wage rates are obtained from the offices of Economic adviser, Ministry of Commerce & Industry and Labour Bureau, Ministry of Labour and Employment.

2. Since the submission of the Commission's report on Price Policy for Rabi Crops for Season 2003-04, there has been a substantial increase in the prices of diesel which is a very important input in agriculture. The prices of high speed diesel (HSD) have increased by 17.66 per cent during June 2003 and June 2004. Prices of other petro-based inputs like LDO and lubricants also moved up by 22.89 per cent and 20.35 percent respectively. The inflationary pressure on other inputs was, however, modest. The prices of these inputs as indicated by WPI are observed to have increased by 1.87 percent for tractors, 3.02 per cent for non-electrical machinery, 2.55 percent for cattle feed and about 1.00 per cent for both electricity used for agricultural purposes and pesticides in the corresponding period. As per the information available with the Commission from Labour Bureau, Shimla, the actual wages for agricultural labourers are reported to have increased for Assam (6.5%), Bihar (3.4%), Gujarat (2.3%), Haryana (3%), Madhya Pradesh (4.2%), Maharashtra (1%) Punjab (4.01%), Rajasthan (3.03%), Uttar Pradesh (5.01%) and West Bengal (1.15%). As per the data supplied by States, the prices of seed for wheat for 2004-05 were likely to increase by 2 per cent for Rajasthan, 3.6 per cent for Madhya

Pradesh, 3.2 percent for Uttar Pradesh and 1 percent for Gujarat over the preceding year. (Table 3.1)

Estimates of cost of cultivation and projections for 2004-05 crop season

Wheat

3. Fresh estimates of Cost of Cultivation/Production of wheat for 2002-03 have become available from the Directorate of Economics and Statistics in respect of Punjab, Haryana, Bihar, Madhya Pradesh, Himachal Pradesh, Uttar Pradesh, Rajasthan and Gujarat. In addition, estimates have also become available for the first time for Chhattisgarh, Uttaranchal and Jharkhand. The details of the latest available estimated costs of wheat and also those pertaining to the preceding year are presented in table 3(A). It is observed that between 2001-02 and 2002-03, cost of cultivation per hectare has increased for all the states for which data have become available albeit in varying proportion. However, the cost of production per quintal has increased for all the states except for Himachal Pradesh. It needs to be noted that the year 2002-03 was not a normal year for agricultural operations as the country had faced severe drought. This had impacted adversely the water resources and productivity. The increase in cost of cultivation during 2002-03, is therefore on account of these factors, besides usual inflationary pressure. Nonetheless, the MSP fixed for wheat for the year 2002-03 at Rs. 620 per quintal plus drought relief of Rs. 10 per quintal had sufficiently covered C₂ cost of production for all the major growing states. Further details of cost of cultivation/production of wheat pertaining to the latest period and the preceding year compiled by DES under the Comprehensive Scheme are given in Tables 3.3 & 3.4.

Table 3 (A): Cost Estimates for Wheat

(Rupees)

States	Years	A ₂ +FL/hec	C ₂ /hec	A ₂ +FL /qtl	C ₂ /qtl	C ₃ /qtl	Yield/hec. (qtl)	Implicit Price	MSP (qtl)
Bihar	2002- 03	10246	15211	405.97	602.92	667.70	22.53	595.65	620*

	2001-02	10047	14468	379.31	545.74	602.59	23.52	558.95	620
Chhattisgarh	2002-03	7473	11749	452.70	708.74	811.00	13.81	778.35	620*
Gujarat	2002-03	13540	18371	433.50	588.21	654.42	29.20	774.66	620*
	2001-02	12144	16737	376.30	519.16	641.25	30.39	713.67	620
Haryana	2002-03	14538	23128	300.33	477.81	535.46	39.61	629.75	620*
	2001-02	13393	22179	287.37	475.97	532.26	41.62	617.72	620
Himachal Pradesh	2002-03	7547	11830	448.87	703.41	785.46	12.40	655.12	620*
	2001-02	6981	10402	495.42	736.61	810.27	10.97	667.66	620
Jharkhand	2002-03	6558	9740	399.29	592.90	652.19	15.18	600.15	620*
Madhya Pradesh	2002-03	9108	14255	420.55	654.13	721.00	18.35	682.11	620*
	2001-02	8180	12737	379.83	591.86	651.05	18.44	638.87	620
Punjab	2002-03	13445	22997	288.63	493.80	551.04	40.66	626.84	620*
	2001-02	13393	22931	266.07	455.61	507.82	45.72	619.29	620

	02								
Rajasthan	2002-03	14920	22086	325.74	482.15	530.37	33.05	684.87	620*
	2001-02	13548	19182	328.87	464.62	511.08	35.16	573.54	620
Uttaranchal	2002-03	13974	18433	491.56	649.24	733.18	21.84	630.84	620*
Uttar Pradesh	2002-03	11979	18593	326.39	507.65	564.86	30.70	586.58	620*
	2001-02	10612	16273	296.16	454.65	511.73	31.08	553.17	620

* : In addition a one time Special Drought Relief of Rs.10 per quintal was announced.

4. The Commission has arrived at the likely levels of cost of production of wheat in different growing states for the ensuing season of 2004-05, based on the cost of cultivation/production for the latest available period 2002-03 as discussed above. The methodology for projecting the estimates remains the same as for the previous season. The per hectare variable cultivation costs are projected using input price projection and then the per quintal costs are calculated using the yields and fixed costs. Further, in order to make the projections more consistent and realistic, each of the latest three years estimates, provided by the Directorate of Economics and Statistics, wherever available are being projected and their averages taken.

5. According to the above mentioned projection methodology, and on the basis of the actual input price movements observed so far (Table 3.5), the per quintal paid out cost including imputed cost of family labour (i.e. A_2+FL) for wheat for 2004-05 is projected to an average of Rs. 312, Rs 294, Rs 346, Rs 412, Rs.368, Rs 426, Rs. 450 and Rs.406 per quintal for Haryana, Punjab, Uttar Pradesh, Bihar, Rajasthan, Madhya Pradesh, Gujarat and Himachal Pradesh respectively. The projected unit costs of production (cost C_2) of wheat for these states average at Rs. 490, Rs. 487, Rs. 509, Rs. 579, Rs. 524, Rs. 649, Rs. 605 and Rs. 673 respectively while the C_3 costs work out to Rs. 538, Rs.536, Rs.560, Rs.637, Rs. 576, Rs. 714, Rs. 665 and Rs.740 per quintal

respectively. The weighted average projected cost of production of wheat for 2004-05 for all these states work out to Rs. 343 on $A_2 + FL$ basis, Rs.516 on cost C_2 basis and Rs. 567 per quintal on cost C_3 basis. The MSP for wheat fixed at Rs.630 per quintal for the 2003-04 crop season already provides a profit cushion of about 29 per cent for Punjab and Haryana and 24 percent for Uttar Pradesh over C_2 cost of wheat projected for 2004-05. (Table 3 (G))

6. The Commission also receives Cost of Cultivation estimates from various State Governments. These data are examined at length and also compared with the corresponding (CS) data and also with the subsequent projection made on the basis of this data by the Commission for the ensuing season. Despite certain conceptual and methodological differences between the two sets of data due to which they may not be strictly comparable, the data that become available from the states are found to be useful for cross checking purposes. These differences are regularly discussed with the respective state governments at the time of meetings with them. These data relate to more recent years than those made available under CS and have a lot of utility.

7. Bihar, Gujarat, Madhya Pradesh, Maharashtra, Uttar Pradesh, and West Bengal have provided estimates of cost of production of wheat .It may be observed from Table 3(H) that the estimate of wheat given by Gujarat and Uttar Pradesh for 2002-03 is almost the same as CS estimates. In the case of Madhya Pradesh, the state government has provided estimates for irrigated and unirrigated wheat separately. The weighted average cost of cultivation works out to Rs. 14131 per hectare which is almost same as the cost of cultivation of wheat under CS. The cost estimates provided by Maharashtra and West Bengal are on the higher side although no comparison is possible because of non-availability of corresponding CS data for these states.

8. The states that have provided the projected cost of production of wheat for the forthcoming sowing season of 2004-05 are Haryana, Punjab, Bihar, and Maharashtra. In order to make a meaningful comparison between the projections made by CACP and those provided by the states, certain additional items of costs considered by the states such as weather risks, management costs, marketing charges, profit etc. have been excluded and adjusted as per the concepts currently used by DES. Table 3(I) presents the details of the comparison of projected costs. It is observed that the projected C_2 cost of production for Punjab at Rs.586 per quintal is higher than the CACP's projection of Rs.487 mainly due to consideration of higher rental value of

owned land at Rs.11550 per hectare by the state as against Rs.7694 estimated under CS for 2002-03. Higher expenditure on human labour and higher rental value of land considered by Haryana as compared to the CS data are the main factors contributing to higher projection made by the state. The reason for higher projected cost reported by Bihar as compared to CACP's projection is consideration of higher input costs and also higher fixed costs. Bihar has reported a fixed cost of Rs. 8000 per hectare against Rs. 5282 reported under the CS. The machine labour charges at around Rs. 6000 per hectare given by Bihar are even higher than those of Punjab and Haryana .

BARLEY

9. The cost estimates for 2002-03 for this crop have become available for the states of Rajasthan and Uttar Pradesh. It is observed from Table 3(B) that while the cost of cultivation per hectare has increased for both the states between 2001-02 and 2002-03, the unit cost of production of barley is estimated to have increased in Uttar Pradesh while the same shows a decrease in Rajasthan. But the average yield on sample holdings has increased in Rajasthan while in Uttar Pradesh it has registered a decline. However, the MSP fixed for 2002-03 at Rs.500 per quintal plus drought relief of Rs.5 per quintal sufficiently covered C₂ cost of production for both these states.

Table 3 (B) : Cost Estimates for Barley

(Rupees)

States	Years	A ₂ +FL/hec	C ₂ /hec	A ₂ +FL /qtl	C ₂ /qtl	C ₃ /qtl	Yield/hec. (qtl)	Implicit Price	MSP (qtl)
Rajasthan	2002-03	14205	20191	331.64	470.39	517.43	28.02	588.92	500*
	2001-02	12383	16461	375.63	500.99	551.09	25.96	468.77	500
Uttar	2002-	9982	15908	305.90	491.11	545.39	26.27	522.97	500*

Pradesh	03								
	2001-02	8552	13234	252.12	391.14	440.91	28.65	504.70	500

* : In addition a one time Special Drought Relief of Rs.5 per quintal was announced.

10. The cost A_2 +FL of barley is projected for 2004-05 to an average of Rs.400 per quintal for Rajasthan and Rs.313 per quintal for Uttar Pradesh following the same methodology as used in the case of wheat. The C_2 cost of production of barley for these states are projected to an average of Rs. 534 and Rs.466 per quintal respectively and costs C_3 at Rs. 587 and Rs.513 per quintal respectively. The weighted average cost of production of barley for 2004-05 works out to Rs. 495 per quintal on cost C_2 basis and Rs.544 per quintal on C_3 basis. (Tables 3.8 &3(G))

11. Uttar Pradesh, as per their own survey, has also provided estimate of cost of production of barley at Rs. 476 per quintal for 2002-03 which is near to the corresponding CS estimate for the year. (Tables 3(H) &3(I))

Gram

12. Fresh estimates of cost of cultivation /production of gram for the year 2002-03 have become available in respect of Madhya Pradesh, Maharashtra, Haryana, Uttar Pradesh, Rajasthan, Bihar, Chhattisgarh and Jharkhand. It can be observed from Table 3(C) that the MSP fixed at Rs. 1220 per quintal plus drought relief of Rs.5 per quintal for 2002-03 covered cost C_2 for Bihar, Jharkhand and Uttar Pradesh. (Table 3.9 & 3.10)

Table 3 (C): Cost Estimates for Gram

(Rupees)

States	Years	A ₂ +FL/hec	C ₂ /hec	A ₂ +FL /qtl	C ₂ /qtl	C ₃ /qtl	Yield/hec. (qtl)	Implicit Price	MSP (qtl)
Bihar	2002-03	5279	11362	500.43	1076.45	1198.41	10.14	1646.22	1220*
	2001-02	5036	9152	564.59	1025.70	1135.99	8.59	1615.53	1200
Chhattisgarh	2002-03	5175	7846	866.26	1313.95	1501.97	5.65	1438.86	1220*
Haryana	2002-03	5083	8403	1232.75	1982.97	2181.27	3.48	1833.70	1220*
	2001-02	5954	10368	905.00	1577.23	1734.95	6.25	1469.82	1200
Jharkhand	2002-03	4596	6768	652.34	956.65	1113.74	6.74	1680.78	1220*
Madhya Pradesh	2002-03	6592	11134	776.33	1310.54	1447.97	8.03	1444.62	1220*
	2001-02	6828	11722	584.37	1002.33	1105.08	11.16	1347.96	1200
Maharashtra	2002-03	6909	9747	940.72	1327.14	1459.85	7.30	1482.07	1220*
Uttar Pradesh	2002-03	7428	12520	711.00	1199.20	1319.12	10.07	1429.86	1220*
	2001-02	6712	11572	581.72	1001.50	1138.24	11.23	1505.85	1200
Rajasthan	2002-03	7540	11303	1034.73	1543.27	1745.89	6.47	1808.89	1220*
	2001.02	8191	11154	1069.08	1450.94	1614.95	7.16	1605.57	1200

* : In addition a one time Special Drought Relief of Rs.5 per quintal was announced.

13. For gram, cost A₂+FL is projected for 2004-05 to an average of Rs.708, Rs.569, Rs.718, Rs.735 and Rs.1032 for Uttar Pradesh, Bihar, Madhya Pradesh, Haryana and Rajasthan. The corresponding C₂ cost is projected at Rs.1160, Rs.1030, Rs.1191, Rs.1473, and Rs.1419 per quintal respectively. The weighted average cost of production of gram works out to Rs. 1221 per quintal on cost C₂ basis and Rs. 1344 per quintal on cost C₃ basis for the year 2004-05. It may

be mentioned that the estimates for gram in respect of Maharashtra have been made available for the first time for the year 2002-03. As the continuous series for 2 or 3 years data are not available, projections have not been undertaken for the crop in the state. (Tables 3.11 & 3(G))

14. The state of Bihar, Gujarat and Madhya Pradesh have provided estimates of cost of cultivation/production of Gram for 2002-03 and 2003-04 while Maharashtra and Uttar Pradesh have provided the same for 2002-03. It may be observed from Table 3(H) that the cost of production estimate given by Uttar Pradesh is observed to be much on the lower side than the corresponding CS estimate. The projected cost of production of Bihar is on the higher side as compared to the CACP's projection. The reasons for difference in the projected cost reported by Bihar for gram is the same as that cited for wheat. The cost projected by the state of Maharashtra for gram is on the higher side, though no comparison can be made as projection for gram for Maharashtra has not been undertaken by the Commission. (Tables 3(H) & 3(I))

Lentil

15. The estimates of cost of cultivation of lentil have become available for 2002-03 with respect to Madhya Pradesh, Bihar, Uttar Pradesh, Chhattisgarh and Jharkhand. From Table 3(D) it is observed that the MSP fixed at Rs.1320 per quintal plus drought relief of Rs.5 per quintal for 2002-03 covered cost C_2 for all the above mentioned states. (Tables 3.12 & 3.13)

Table 3(D) : Cost Estimates for Masur(Lentil)

(Rupees)

States	Years	A ₂ +FL /hec	C ₂ /Hec	A ₂ +FL/ctl	C ₂ /ctl	C ₃ /ctl	Yield/hec. (ctl)	Implicit Price	MSP (ctl)
Bihar	2002- 03	4886	10353	450.75	955.11	1052.89	10.39	1415.08	1320*
	2001- 02	4693	8810	574.45	1078.56	1186.42	7.80	1377.69	1300
Chhattisgarh	2002- 03	2495	5022	397.60	800.58	983.61	5.90	1400.51	1320*
Jharkhand	2002- 03	2412	3769	530.87	823.60	925.65	4.35	1871.57	1320*
Madhya Pradesh	2002- 03	4767	8162	642.01	1100.24	1224.81	7.05	1458.60	1320*
	2001- 02	4715	8556	545.88	990.35	1095.67	8.27	1362.16	1300
Uttar Pradesh	2002- 03	6463	11526	720.21	1283.95	1467.29	8.79	1533.71	1320*
	2001- 02	6790	10694	973.84	1533.13	1686.44	6.77	1452.15	1300

02									
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* : In addition a one time Special Drought Relief of Rs.5 per quintal was announced.

16. The cost $A_2 + FL$ of lentil is projected for 2004-05 to an average of Rs.658 for Madhya Pradesh, Rs.770 for Uttar Pradesh and Rs.587 per quintal for Bihar. The respective C_2 costs are projected at Rs.1155, Rs. 1320 and Rs. 1092 per quintal respectively. The weighted average cost of production of lentil works out to Rs.1235 per quintal on cost C_2 basis and Rs.1358 per quintal on cost C_3 basis for the year 2004-05. (Tables 3.14 & 3(G)). For lentil, Bihar has provided cost estimate for 2002-03 and 2003-04 whereas estimates for the same have been made available for 2002-03 by the state of Uttar Pradesh. The estimates provided by both the states are on the lower side. Bihar has projected lower cost of production as compared to CACP's projection for the season.

(Tables 3(G), 3(H) & 3(I))

Rapeseed/Mustard and Safflower

17. Rapeseed/Mustard the cost estimates have become available for 2002-03 with respect to Haryana, Gujarat, Punjab, Assam, Uttar Pradesh, Rajasthan, Madhya Pradesh, West Bengal and Uttaranchal. The MSP fixed at Rs. 1330 per quintal plus drought relief of Rs.10 per quintal covers the C_2 cost with respect to Gujarat, Rajasthan and Uttaranchal.

Table 3 (E) : Cost Estimates for Rapeseed/Mustard

(Rupees)

States	Years	A ₂ +FL/hec	C ₂ /Hec	A ₂ +FL /qtl	C ₂ /qtl	C ₃ /qtl	Yield/hec. (qtl)	Implicit Price	MSP (qtl)
Assam	2002-03	7375	9343	1207.07	1528.73	1703.44	6.11	1186.82	1330*
	2001-02	5866	7575	966.34	1247.74	1372.51	6.07	1055.09	1300
Gujarat	2002-03	9782	14417	699.70	1030.99	1137.06	13.87	1550.39	1330*
	2001-02	11330	14324	901.88	1139.98	1434.30	12.47	1122.61	1300
Haryana	2002-03	9606	15358	895.50	1432.54	1575.79	10.30	1647.94	1330*
	2001-02	10175	17441	582.20	997.54	1097.29	16.77	1154.32	1300
Madhya Pradesh	2002-03	4206	7653.	947.06	1711.50	1884.01	4.33	1849.68	1330*
	2001-02	9019	15204	599.96	1011.86	1113.05	14.87	1250.61	1300
Punjab	2002-03	6350	11954	754.32	1414.97	1577.32	8.09	1731.24	1330*
	2001-02	7519	12695	682.63	1151.33	1278.76	10.79	1221.19	1300
Rajasthan	2002-03	8667	14823	620.76	1060.86	1166.95	13.76	1785.15	1330*
	2001-02	7424	11193	544.06	818.61	900.47	13.51	1189.94	1300

	02								
Uttaranchal	2002-03	7061	10773	648.78	1014.89	1135.22	9.74	2404.54	1330*
Uttar Pradesh	2002-03	7788	12953	820.24	1365.81	1502.39	9.13	1498.18	1330*
	2001-02	7750	13505	579.90	1008.44	1110.59	13.05	1124.71	1300
West Bengal	2002-03	10674	15252	991.88	1415.06	1617.39	10.38	1498.79	1330*
	2001-02	9797	13133	936.20	1254.15	1431.35	9.86	1093.95	1300

* : In addition a one time Special Drought Relief of Rs.10 per quintal was announced.

18. As per the latest methodology, the estimated costs of production of Rapeseed/Mustard in different states have been projected for 2004-05. It can be observed from Table 3(G) that projected cost $A_2 + FL$ for the year 2004-05 varies between Rs. 662 and Rs.1200 per quintal, Rs. 662 being the cost in Madhya Pradesh and Rs.1200 being in Assam. The cost C_2 varies between Rs.1060 in Rajasthan and Rs. 1502 per quintal for Assam for 2004-05. The weighted average cost of Rapeseed/Mustard works out to Rs. 1165 on cost C_2 basis and Rs.1281 per quintal on cost C_3 basis. The cost of production of Rapeseed/Mustard estimated by Gujarat and West Bengal for 2002-03 are higher than the corresponding CS estimates due to lower yield taken into account by these states. Whereas, the cost estimated by the states of Madhya Pradesh and Uttar Pradesh are on the lower side as compared to the CS estimate. (Tables 3(G) & 3(H))

19. The latest estimate for Safflower pertaining to 2002-03 is available for Maharashtra. Data presented in Table 3(F) indicate that the MSP fixed at Rs. 1300 per quintal plus drought of Rs.5 per quintal for Safflower for the year 2002-03 did not cover C₂ cost of production in Maharashtra.

Table 3 (F) : Cost Estimates for Safflower

(Ru

pees)

States	Years	A ₂ +FL/hec	C ₂ /Hec	A ₂ +FL /qtl	C ₂ /qtl	C ₃ /qtl	Yield/hec. (qtl)	Implicit Price	MSP (qtl)
Maharashtra	2002-03	3279	4828	1584.16	2336.44	2608.79	2.07	2261.09	1300*
	2001-02	4291	5394	1123.39	1411.55	1577.06	3.82	1253.06	1300

* : In addition a one time Special Drought Relief of Rs.5 per quintal was announced.

20. The estimated cost of production for Safflower has been projected for 2004-05 to an average of Rs. 931 per quintal for Maharashtra on cost A₂ + FL basis. The corresponding C₂ cost is projected to Rs.1449 per quintal for Maharashtra. The projected cost reported by Maharashtra for Safflower at Rs. 1603 per quintal is on the higher side by about 11 per cent than CACP's projection due to higher human labour cost and rental value charges. It may be noted that these values as reported by the state are almost double than the Commission's projections for the year 2004-05. (Tables 3(G) & 3(I))

IV. PRICE POLICY FOR RABI CROPS OF 2004-05 SEASON

The Commission, in formulating the Price Policy for rabi crops of 2004-05 season has considered several factors, namely costs of production, trends in domestic and international prices, emerging demand-supply scenario, inter-crop price parity, input-output price parity and the situation of food security in the context of procurement off-take status. Besides, the Commission kept in mind the need for agricultural diversification and sustainable use of land, water and other resources, as emphasized in recent policy resolution of the government.

4.1 Cost of production is one of the prime considerations in the determination of minimum support prices. It has been the view of the Commission that MSP fixed should cover at least $A_2 + F_2$ in high cost states and C_2 cost in relatively low cost states. The present MSP of wheat not only meets both the criteria, but also covers weighted average cost at All India level. The existing MSP of barley marginally breaches the projected C_2 cost in Rajasthan. The C_2 cost of gram projected for the year 2004-05 is also adequately cushioned by the existing MSP in most of the states except Haryana and Rajasthan. Also the C_2 costs of lentil and rapeseed and mustard are sufficiently lower than existing MSPs. Thus, based on cost considerations, there is no scope for hike in the minimum support prices of any rabi crops under consideration. However, as the input costs have marginally increased during the past one year, there may be some justification for a marginal hike in MSPs.

4.2 During 2003-04, the domestic market prices of the rabi crops under consideration were generally good, excepting of barley and gram. However, in several places, prices fell below the MSPs. Even though international prices of wheat have been rising for the past few years, there are indications that wheat prices may remain depressed in 2004-05, because of improved supply situation and low demand. Similarly, international prices of barley and lentils are likely to weaken, while that of rapeseed and mustard may remain firm. In view of the price trends therefore, there is no scope for any hike in the MSPs of wheat, barley, gram and lentils, although MSP of rapeseed and mustard may be marginally increased.

4.3 The stock position of rice and wheat looks quite precarious, especially in view of the expected large scale drought in the country in 2004-05. The year 2004-05 commenced with 22.8 million tonnes of foodgrains stock which was marginally lower than buffer norm of 24 million tonnes. In the case of pulses and oilseeds also, the domestic demand far exceeds the supply. There is a gap of about 15 per cent between demand and supply of pulses. In the case of edible oils, the existing gap between domestic production and consumption is above 40 per cent. Although considerations of self-sufficiency may justify hike in the minimum support prices of cereals, pulses and oilseeds to encourage higher production of these commodities, it is doubtful whether hike in the MSP alone would help achieve self-sufficiency in the production of these commodities in the absence of appropriate technological support and increase in import duties on pulses and edible oils. There is a felt need for proper co-ordination between price policy, technology policy and import policy in this regard.

4.4 As regards inter-crop price parity, the situation has improved significantly in recent years, due to relatively higher MSPs fixed for pulses and oilseeds. However, the much needed agricultural diversification has not yet adequately taken off because of inadequate technology and marketing support. Besides, low import duties on pulses and edible oils have encouraged imports and depressed domestic prices of these commodities.

4.5 Thus, considering all the relevant factors, the Commission recommends that

the minimum support prices for the fair average quality of the rabi crops of 2004-2005 season be fixed at the following levels:

Commodity	Rs/Quintal
Wheat	640
Barley	540
Gram	1425
Masur (Lentil)	1525

Rapeseed/Mustard	1700
Safflower	1550

The Commission further recommends that:

- i) the prices of other oilseeds belonging to the rapeseed/mustard group be fixed on the basis of their normal market price differentials with rapeseed/mustard;
- ii) FCI should improve its operational efficiency in the procurement and distribution of foodgrains in a cost effective manner, while there should be a gradual policy shift in favour of decentralized procurements by state governments along with necessary infrastructure and financial support. The FCI should procure only to meet the buffer needs; (Para 1.10)
- iii) commercial banks and co-operatives should improve their credit delivery systems so that farmers could access adequate credit from institutional sources at competitive rates and in a hassle free manner; (Para 1.12)
- iv) Government should redesign a simple, easy to operate and clearly understood insurance scheme after a thorough examination of its practicability and in the light of problems which the farmers face both in the coverage and settlement of claims; (Para 1.14)
- v) increased investment in rural infrastructure, coupled with appropriate policy initiatives for agricultural diversification and value addition should form the topmost priority. Besides, agricultural price policy, technology policy and exim policy must be oriented towards diversified rural growth. Moreover, an effective market information system and monitoring of national and international prices and trade cycles would be crucial; (Para 1.16)

- vi) Government should rationalize the import duty on pulses and oilseeds to discourage imports and also nominate NAFED to undertake the task of monitoring the quality of imports of these commodities; and (Para RP.2.8)

- vii) instead of waiting for announcement of new prices, the state governments, based on advance reports of crop production, should ensure that adequate arrangements for purchase are made at least at the MSP of the previous year and that subsequent book adjustments are made with the Central Government so that the farmer is not forced to sell under distress conditions. (Para S.2.6)

(T. HAQUE)

**(RAMADHAR)
MEHTA)**

(RAJIV

JULY 28, 2004

