

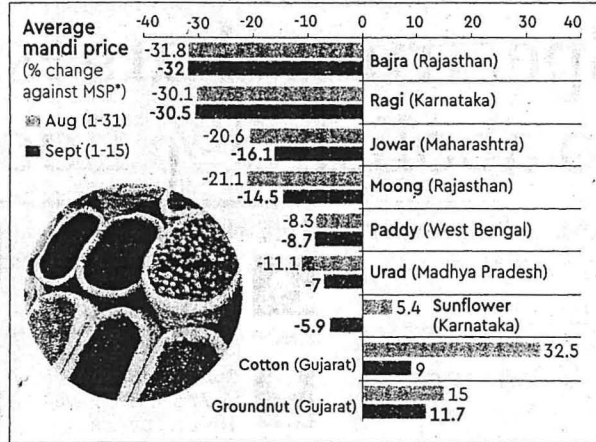
# Mandi prices way below MSPs as summer crops set to arrive; could fall further

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**AHEAD OF THE** kharif harvesting season starting October 1, mandi prices of most crops barring pulses are ruling below their respective minimum support prices (MSPs). As the summer-sown crop arrivals pick up by early October, the prices could fall further.

Though this might help the policymakers in their effort to keep food inflation under control, farmers' income could take a hit.

The average mandi price in major producing states in eight out of twelve key summer-sown crops namely paddy, jowar, bajra, maize, ragi, urad, moong and sunflower were 3-32% below the MSP during September 1-15. Only tur, cotton, groundnut and



soyabean were costlier to wholesalers than the MSP during the period.

In fact, average soyabean prices in Madhya Pradesh, the largest producing state, were more than double the MSP of ₹3,950/quintal.

Starting from kharif 2018, the government has been sticking to a policy to keep MSP at 1.5 times the production costs (A2+FL) for the 20 kharif and rabi crops, for which the government fixes MSPs every year. The MSPs of kharif crops

have been hiked by 1-7% and those of rabi crops by 2-9% for 2021-22 crop year (July-June) from the year-ago levels.

Mandi prices ruling below MSPs, particularly when farmers bring their crops in hordes is, in fact, not new as 12 monsoon-sown crops were 7-43% below their benchmark rates in 2018 while 11 were 8-37% ruled below MSPs in 2019 in the first month of the season. Last year too, prices of six crops were 5-38% below MSPs during key harvesting period, October-December.

This year, however, the farm-gate prices of all other crops except pulses may further decline from current rates as arrivals increase. Pulses prices in mandis have increased marginally in between September 1-15 from the previous month. On the other hand, prices of most

other crops dropped in the first fortnight from the averages seen during August.

However, some market watchers believe that mandi prices would firm up even during the harvesting period as currently global commodities prices are up.

"It seems global commodities prices are rising. Even wheat crop in the US has been impacted due to drought. Global inflationary trend will pull up the India prices too," said former agriculture secretary Siraj Hussain. Secondly, it is not yet clear what will be the impact of rainfall deficiency in August and excessive precipitation this month on the crops, Hussain said, adding the output could be lower than last year.

The FAO Food Price Index (FFPI) averaged 127.4 points in August 2021, up 3.1% from

July and 32.9% from the year-ago period. The FFPI's rebound in August after two consecutive months of decline was led by strong gains in sugar, vegetable oils, and cereal sub-indices, FAO said on September 2. On the other hand, India's retail food price inflation in August eased to 3.8% from 4.46% in July and 5.58% in June.

The country had two successive months of deficit rainfall - 7% in July and 24% in August - after recording 10% surplus in June. But the monsoon shower was 32% above normal during first fortnight of this month. India Meteorological Department has predicted rainfall in September to be 115% of long period average (LPA) and has not ruled out possibility of crop damage in some areas due to excess rains.