

MINT

Relevant for: Indian Economy | Topic: Issues related to direct & indirect Farm Subsidies and MSP

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NEW DELHI : The government raised the minimum support price (MSP) for paddy, the main kharif crop, by 100 per quintal and 13 other summer crops as it sought to boost production amid a global shortage of foodgrains but stoked fears of further hardening of inflation.

The MSP for all 14 kharif crops for the 2022-23 season was increased in line with the FY19 Union budget announcement of fixing rates at a level that is at least 50% more than the all-India weighted average cost of production, the government said.

According to the cabinet decision, the MSP for these crops has been increased in the range of 92-523 per quintal. Sesamum saw the biggest increase at 523 per quintal. Maize received the lowest hike of 92 per quintal.

Economists said that the hike in MSP will have an adverse impact on food inflation, which surged to 8.38% in April. Madan Sabnavis, chief economist at Bank of Baroda, estimated the direct impact on wholesale inflation to be around 0.2%.

The increase in prices comes at a time the Reserve Bank of India is aggressively raising interest rates to cool persistently high inflation.

"The average price hike would be around 5.8% for these commodities. Given a weight of 3.4% in the overall index, the direct impact on WPI inflation can be around 0.20% if all crops receive the higher price," Sabnavis added.

The MSP of cotton has been raised to 6,080 for medium staple variety from 5,726 per quintal last year.

As far as oilseeds are concerned, the MSP of soyabean has been hiked to 4,300 per quintal from 3,950 last year, while for sunflower seed, the support price has been raised to 6,400 per quintal from 6,015.

"The higher increases in MSP have been witnessed in oilseeds and cotton, which are presently pain points given the high inflation in edible oils and cotton as supplies have been squeezed due to global and domestic factors. Even in the case of jowar, the increase is high at 8.5%," Sabnavis added.

The MSP of paddy and bajra has been increased by 100 per quintal, while tur, urad and groundnut MSP has been increased by 300 per quintal each.

The MSP of the common grade variety of paddy has been increased to 2,040 per quintal for the 2022-23 crop year from 1,940 per quintal in the previous year.

According to the third advance estimates for 2021-22, the production of foodgrains in the country is estimated at a record 314.51 million tonnes, which would be higher by 3.77 million tonnes than the production during 2020-21, the government said.

The agriculture ministry further said that production during 2021-22 is higher by 23.80 million tonnes than the previous five years (2016-17 to 2020-21) average production of foodgrains.

The cabinet on Wednesday also approved the transfer of 10 in-orbit communication satellites from the government to NewSpace India Ltd (NSIL), a public sector enterprise under the administrative control of the Department of Space. The cabinet also approved increasing the authorized share capital of NSIL from 1,000 crore to 7,500 crore.

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