

# FLOOR PRICE FOR RABI CROPS HIKED

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

In what should come as a boost to farmers, the Union Cabinet on Wednesday approved raising the minimum support prices of rabi crops such as wheat, barley, gram, masur, rapeseed and mustard, and safflower for 2018-19.

“Giving a boost to farmers’ income, the Cabinet Committee on Economic Affairs has approved the increase in the Minimum Support Prices (MSPs) for all rabi crops for 2018-19 to be marketed in 2019-20 season,” the government said in a release.

“The farmer friendly initiative will give additional return of Rs. 62,635 crore to the farmers by way of increasing MSP of notified crops to at least 50% return over cost of production and will aid in doubling farmers’ income.”

“With the new umbrella scheme ‘Pradhan Mantri Annadata Aay SanraksHan Abhiyan’ (PM-AASHA) announced by the government, there is a robust mechanism available to enable farmers realise the MSP in fuller measure,” the government said. “The umbrella scheme consists of three sub-schemes i.e. Price Support Scheme (PSS), Price Deficiency Payment Scheme (PDPS) and Private Procurement & Stockist Scheme (PPSS) on a pilot basis.”

## RBI concerns

The increase in MSP for rabi crops comes just ahead of the RBI monetary policy announcement.

The apex bank, in its August policy statement, had indicated MSP increase among possible factors that could influence its outlook on inflation.

The latest move on MSP could further escalate the concerns of the Reserve Bank over inflation.

“However, there is a considerable uncertainty and the exact impact would depend on the nature and scale of the government’s procurement operations,” the central bank had said its last policy statement.

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