Kharif 2018 season almost complete; steep increases in MSPs don’t expand crop area

As sowing is complete, bajra and ragi areas down, despite MSP hikes being the steepest.

How far does a hike in minimum support price (MSP) determine the farmers’ choice of crop? As the kharif 2018 sowing is almost complete, acreages of bajra and ragi have dropped from last year’s levels even though their MSP hikes were the steepest among all crops for the season. Cotton also saw a sharp MSP increase but its area also is still to catch up with last year’s (see chart).

Rather than the quantum of MSP increase, several factors like the expected rate of return on a crop relative to viable alternatives, weather/rainfall and the prevailing market prices influence farmers’ decisions.

Uncertainty over the chances of actual purchases at MSPs may have also had an impact. Analysts, however, note that an earlier announcement of MSPs could have prompted farmers to expand the sowing areas of the two coarse cereals, bajra and ragi.

The Cabinet on July 4 announced 4-52% hikes in MSPs of 14 kharif crops, in line with a new policy of keeping these benchmark rates at a minimum of 150% of the cost of production (A2+FL). Sowing of kharif crops begins with the onset of monsoon, normally on June 1. Farmers in Rajasthan, which is the largest producer of bajra, have shifted to pulses like moong as the state received good rainfall in June-July. The state’s sowing area under bajra was 6.26% lower than last year’s at 39.71 lakh hectares as on August 31, while moong acreage was up 22%. Read more