

**MSP INCREASE NON-INFLATIONARY: MSP MIGHT BE CONVERTED TO FLOOR PRICE OF AUCTION ON E-NAM TO BENEFIT FARMERS**

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The Union Cabinet has approved increased MSP for Kharif crops for marketing season 2023-24. The increase in MSP is in the range of 5-11%. Interestingly, this increase is unlikely to be inflationary as any impact on inflation is directly proportional to procurement. While procurement of cereals is primarily in the realm of wheat and rice, the procurement of pulses by NAFED is not much.

Separately, in a welcome move that is unnoticed is that latest average modal prices in e-NAM mandis are higher than the MSP for some of the crops. MSP should be converted to Floor Price of Auction on e-NAM so that growers of crops like maize, ragi, moong are also benefitted. The e-NAM is not a parallel marketing structure but rather a device to create a national network of physical mandis which can be accessed online. Currently 1.76 crore farmers are part of e-NAM in 1361 mandis.

The role of MSPs in influencing the inflation trajectory in India has been an issue of intense academic and public policy debate. While empirical findings are mixed, the actual impact of the MSP hike would depend on the procurement strategy of the Government as well as the ruling market prices of various crops vis-à-vis the revised MSPs. In our case, we believe the impact will be negligible depending on the prices prevailing in e-NAM markets and also the procurement.

**We recommend that MSP should be converted to Floor Price of Auction on e-NAM so that growers of crops like maize, ragi, moong are also benefitted.**

**MSP FOR KHARIF INCREASED**

- ◆ The Union Cabinet has approved increased MSP for Kharif crops for marketing season 2023-24. The increase in MSP is in the range of 5-11%.
- ◆ National Agriculture Market (e-NAM) is a pan-India electronic trading portal and networks the existing APMC mandis to create a unified national market for agricultural commodities. E-NAM is not a parallel marketing structure but rather a device to create a national network of physical mandis which can be accessed online. Currently 1.76 crore farmers are part of e-NAM in 1361 mandis.
- ◆ The latest average modal prices in e-NAM mandis and MSP shows that the e-NAM prices are higher than the MSP for some of the crops. MSP might be converted to Floor Price of Auction on e-NAM so that growers of crops like maize, ragi, moong are also benefitted.
- ◆ The role of MSPs in influencing the inflation trajectory in India has been an issue of intense academic and public policy debate. While empirical findings are mixed, the actual impact of the MSP hike would depend on the procurement strategy of the Government as well as the ruling market prices of various crops vis-à-vis the revised MSPs.
- ◆ The impact on inflation will be muted as the e-NAM prices are higher than the increased MSP for many of the crops and procurement of crops other than rice and wheat is also limited.

E-Nam modal price and MSP (Rs per quintal)				
Kharif crops	MSP 2022-23	MSP 2023-24	YoY%	e-Nam Price*
Jowar	2990	3225	7.9	3406
Bajra	2350	2500	6.4	2568
Maize	1962	2090	6.5	1753
Ragi	3578	3846	7.5	3270
Arhar	6600	7000	6.1	9902
Moong whole	7755	8558	10.4	7458
Urad whole	6600	6950	5.3	7348
Soyabean	4300	4600	7.0	4737
Paddy Common	2060	2203	6.9	3111
Cotton	6380	7020	10.0	7068
Sesamum	7830	8635	10.3	12730
Niger Seed (Ramtil)	7287	7734	6.1	-
Source: SBI Research; * Latest				

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