

Foodgrains Procurement and Stocks

23. Procurement of foodgrains is one of the essential aspects of the food security policy of the Central Government. It serves the objective of providing price security to the farmers which induces them to sustain production levels. Procurement prices are based on support prices announced by the Department of Agriculture and Co-operation. The Central Government maintains food stocks commensurate with the requirements of (i) the prescribed minimum buffer stock for food security, (ii) operational stock for monthly releases of foodgrains for supply through the PDS, and (iii) market intervention stock for release in the open market (to help moderate the open market prices). The central pool stocks during last few years are listed in Table 5.8.

24. Wheat procurement during rabi marketing season 1997-98 (April-March) at 9.30 million tonnes was higher by over 1.16 million tonnes over 1996-97 procurement of 8.14 million tonnes. In the kharif marketing season 1997-98 (Oct.97-Sept.98), 12.51 million tonnes of rice has been procured for central

pool up to April 17, 1998 as against 10.13 million tonnes procured during the corresponding period last year. Current indications are that procurement of rice in 1997-98 (Oct.97-Sept.98) shall be substantially more than the last year's total procurement of 12.22 million tonnes (Table 5.9).

Food Subsidy

25. Foodgrains subsidy borne by the Central Government has risen over the years. From Rs. 2850 crores in 1991-92, it has risen to Rs.7500 crores in 1997-98 as shown below :

Year	Food Subsidy (Rs. Crore)
1991-92	2850
1992-93	2800*
1993-94	5537
1994-95	5100*
1995-96	5377*
1996-97 (RE)	6066*
1997-98 (RE)	7500

* including sugar subsidy

TABLE 5.8
Central Foodgrain Stocks and Minimum Buffer Stock Norms

(Million Tonnes)

Beginning of the month	Wheat		Rice		Total	
	Min. norm	Actual Stock	Min. norm	Actual Stock	(wheat and rice)	
					Min. norm	Actual Stock
January—1993	7.7	3.3	7.7	8.5	15.4	11.8
April	3.7	2.7	10.8	9.9	14.5	12.6
July	13.1	14.9	9.2	9.3	22.3	24.2
October	10.6	13.7	6.0	7.2	16.6	20.9
January—1994	7.7	10.8	7.7	11.2	15.4	22.0
April	3.7	7.0	10.8	13.5	14.5	20.5
July	13.1	17.5	9.2	13.3	22.3	30.7
October	10.6	15.6	6.0	10.9	16.6	26.5
January—1995	7.7	12.9	7.7	17.4	15.4	30.3
April	3.7	8.7	10.8	18.1	14.5	26.8
July	13.1	19.2	9.2	16.4	22.3	35.6
October	10.6	16.9	6.0	13.0	16.6	29.9
January—1996 (P)	7.7	13.1	7.7	15.4	15.4	28.5
April	3.7	7.8	10.8	13.1	14.5	20.9
July	13.1	14.1	9.2	12.9	22.3	27.0
October	10.6	10.5	6.0	9.3	16.6	19.8
January—1997 (P)	7.7	7.1	7.7	12.9	15.4	20.0
April	3.7	3.2	10.8	13.2	14.5	16.4
July	13.1	11.4	9.2	11.0	22.3	22.4
October	10.6	8.3	6.0	7.0	16.6	15.3
January -1998(P)	7.7	6.7	7.7	11.5	15.4	18.2
April	3.7	5.1	10.8	13.0	14.5	18.1

(P) – Provisional

TABLE 5.9
Procurement of Wheat and Rice
(Central Pool)

Marketing Year	(Million Tonnes)			
	Wheat (April - March)		Rice (Oct - Sept)	
	Qty	%change	Qty	%change
1991-92	7.75	-29.9	9.24	-21.3
1992-93	6.38	-17.7	11.79	27.6
1993-94	12.83	101.1	13.65	15.7
1994-95	11.87	-7.5	13.40	-1.8
1995-96	12.33	3.9	9.95	-25.7
1996-97	8.14	-33.6	12.22	22.8
1997-98	9.30	14.2	12.51*	

* as on April 17, 1998.

26. Higher food subsidy arises because of the widening gap between economic cost of FCI (for procurement, storage, distribution, and wastage

etc.) and the FCI's average realization based on the issue price for PDS (Table 5.10)

Agriculture Price Support

27. In order to assure reasonable returns to farmers, the Minimum Support Price (MSP) for major crops are recommended to the Government each year by the Commission for Agricultural Costs and Prices (CACP) on the basis of a detailed study of costs of production and other relevant factors. CACP recommends MSP for cereals such as paddy, wheat, jowar, bajra, maize and ragi. It also recommends prices for four pulses namely, gram, arhar, moong and urad; six oilseeds, namely, groundnut, sunflower, soyabean, rapeseed/ mustard, safflower, toria and one tree crop namely copra. It also recommends MSP for four non-food crops, cotton, jute, sugarcane and tobacco. The MSPs announced by the Government during the last few years are listed in Table 5.11.

TABLE 5.10

Economic Cost and Consumer Subsidy

(Rs/Quintal)

Fiscal year	Economic cost		FCI/ Average Sales Realization		Consumer Subsidy	
	W heat	Rice	Wheat	Rice	Wheat	Rice
	1991-92	390.79	497.04	251.68	365.58	139.11
1992-93	504.10	585.27	279.36	442.40	224.74	142.87
1993-94	532.03	665.10	355.88	500.42	176.15	146.68
1994-95	551.17	694.71	407.89	600.75	143.28	93.96
1995-96	563.57	746.72	415.87	610.70	147.70	136.02
1996-97 (RE)	615.67	810.58	422.74	622.74	192.93	187.84
1997-98 (RE)	778.81	921.12	374.18	591.52	404.63	329.60

TABLE 5.11
Minimum Support Price for Crops
(Crop year basis)

(Rs/Quintal)

Commodities	1980-81	1990-91	1995-96	1996-97	1997-98	Increase	
						Absolute	% Change
							1997-98 Over 1996-97
Paddy (P)							
Common	105	205	360	380	415	35	9.2
Fine	-	215	375	395	-	-	-
Super fine	-	225	395	415	-	-	-
Grade 'A'	-	-	-	-	455#	-	-
Wheat (P)	117	225	380	475*	510**	35	7.4
Coarse cereals	105	180	300	310	360	50	16.1
Maize	-	180	310	320	360	40	12.5
Barley	-	200	295	305	350	45	14.8
Gram	145	450	700	740	815	75	10.1
Arhar	190	480	800	840	900	60	7.1
Moong	200	480	800	840	900	60	7.1
Urad	200	480	800	840	900	60	7.1
Sugarcane(S)	13.0	23.00	42.5	45.9	48.45	2.6	5.7
Cotton							
F-414/H-777	304	620	1150	1180	1330	150	12.7
H-4	-	750	1350	1380	1530	150	10.9
Groundnut	206	580	900	920	980	60	6.5
Jute(TD-5)	160	320	490	510	570	60	11.8
Rapeseed/ mustard	-	600	860	890	940	50	5.6
Sunflower	183	600	950	960	1000	40	4.2
Soyabean							
Black	183	350	600	620	670	50	8.1
Yellow	-	400	680	700	750	50	7.1
Safflower	-	575	800	830	910	80	9.6
Toria	-	570	825	855	905	50	5.8
Tobacco (per kg.)							
VFC F-2 ²	-	13.25	19.00	19.00	20.50	1.5	7.9
L-2 ³	-	14.25	21.50	22.00	23.50	1.5	6.8
Copra (milling) ⁴	-	1600	2500	2500	2700	200	8.0
Copra balls ⁴	-	-	2725	2725	2925	200	7.3
Sesamum	-	-	850	870	950	80	9.2
Niger seed	-	-	700	720	800	80	11.1

P Procurement price.

S Statutory minimum price.

1 these prices are linked to a basic recovery of 8.5 per cent with a proportionate premium for every 0.1 per cent increase above that level.

2 Black soil.

3 Light soil.

4 For calendar years 1991, 1992, 1993, 1994, 1995 and 1996.

Paddy will be classified into two categories for the MSP purposes instead of existing three varieties for the ensuing Kharif season of 1997-98.

***** Includes a central bonus of Rs.60.00 per quintal payable on the Wheat offered for sale to the procurement agencies for central pool upto 30th June 1997.

****** Includes central bonus of Rs.55 on top of MSP of Rs.455 for procurement beginning April 1998 upto 10th June.