

Report Summary

Incentivising Pulses Production through Minimum Support Price and related policies

- The Chief Economic Advisor Dr. Arvind Subramanian submitted a report on ‘Incentivising Pulses Production through Minimum Support Price (MSP) and related policies’ on September 16, 2016.
- **Availability of pulses:** The production of pulses in the country increased from 11 million tonnes in 2002-03 to 19.3 million tonnes in 2013-14. However, imports also grew in this period, from 0.06 million tonnes in 2000-01 to 5.53 million tonnes in 2015-16. The domestic production of pulses has to grow at 8% per year to meet the shortfall in availability, as opposed to the current growth of 3%.
- **Procurement of pulses:** The government should make a focused effort to procure pulses such as moong, tur and urad at their respective MSPs. The market prices of these pulses have currently fallen below their MSPs. To increase procurement, the government should allocate an additional Rs 10,000 crore to procurement agencies such as Food Corporation of India, and state co-operatives, among others. In addition, procurement operations should be monitored. This may be done by weekly reporting to the central government, and physical verification of procurement through visual images.
- Once pulses are procured, they have to be disposed of effectively, since they deteriorate more quickly than cereals. Effective policies for stocking, warehousing, and disposal must be ensured.
- **Price management of pulses:** Stock limits and export bans set for pulses should be lifted in order to prevent a decline in prices of pulses. State governments should be encouraged to delist pulses from their Agricultural Produce Market Committee Acts, so that produce may be traded outside of the state-owned mandis.
- **MSPs for pulses:** The MSP for tur and urad should be about Rs 60/kg, adjusted for inflation. The MSP for Rabi pulses such as gram should be set at Rs 40/kg, and be announced immediately. The factors currently considered by the Commission for Agricultural Costs and Prices in the determination of MSPs do not include risks and externalities. The Commission should review its current methodology and include these factors.
- **Review of Essential Commodities Act, 1955:** The Essential Commodities Act, 1955 controls the supply and distribution of agricultural produce including cereals, pulses, oilseeds, sugar and others. However, it has also discouraged agricultural marketing firms by requiring producers to sell their commodities in state-owned mandis. This has affected the competitiveness and efficiency of the sector. Private players are also unable to purchase stocks in order to stabilise prices, due to the stock limits imposed upon them. This leads to prices falling significantly. The Act must be reviewed to address these factors.
- **Institutional arrangement for pulses:** The government should aim to create a new institutional arrangement for pulses. Such an institution would be owned by the government, public sector institutions and private players, but operated by a board on a day to day basis. Along with pulses, the institution would be allowed to engage in buying, stocking, warehousing, and trading operations for other crops including fruits and vegetables.

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