

FORMULA FOR FIXING MSP FOR PADDY AND WHEAT

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

Ministry of Agriculture & Farmers Welfare

Formula for fixing MSP for Paddy and Wheat

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Government fixes minimum support prices (MSPs) of 22 mandated crops including paddy, wheat, for every agricultural year and fair & remunerative price (FRP) for sugarcane on the basis of recommendations of Commission for Agricultural Costs & Prices (CACP), after considering the views of State Governments and Central Ministries/Departments concerned & other relevant factors. In addition, MSP for Toria and De-Husked coconut is also fixed on the basis of MSPs of Rapeseed & Mustard and Copra respectively. While recommending MSPs, CACP considers important factors like cost of production, overall demand-supply conditions, domestic and international prices, inter-crop price parity, terms of trade between agricultural and non-agricultural sectors, the likely effect on the rest of the economy, besides ensuring rational utilization of land, water and other production resources and a minimum of 50 percent as the margin over cost of production in case of MSPs and reasonable margins over cost of production in case of FRP.

National Commission on Farmers (NCF) headed by Dr. M.S. Swaminathan had recommended that the MSP should be at least 50 percent more than the weighted average cost of production. However, when the National Policy for Farmers, 2007 was finalized by the then Government, this recommendation of providing 50 per cent returns over cost of production was not included.

CACP considers both A2+FL and C2 costs while recommending MSPs. CACP reckons only A2+FL cost for return. However, C2 costs are used by CACP primarily as benchmark reference costs (opportunity costs) to see if the MSPs recommended by them at least cover these costs in some of the major producing States.

The Union Budget for 2018-19 had announced the pre-determined principle to keep MSP at levels of one and half times of the cost of production. Accordingly, Government has increased the MSPs for all mandated Kharif, Rabi and other commercial crops with a return of atleast 50 per cent of cost of production for the agricultural year 2018-19. During 2019-20 also, Government has increased the MSP of all mandated kharif and rabi crops in line with the principle of fixing the MSP with a return of atleast 50 per cent of the cost of production.

This information was given in a written reply by the Union Minister of Agriculture and Farmers Welfare Shri Narendra Singh Tomar in Rajya Sabha today.

APS/PK/BA

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