

CALCULATION OF MSP

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

Ministry of Agriculture & Farmers Welfare

Calculation of MSP

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Government fixes Minimum Support Price (MSP) on the basis of recommendations of Commission for Agricultural Costs and Prices (CACP).

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 MSP 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 and 2019-20.

From time to time, some farmers and farmers' organizations have been agitating and making certain demands like increase in MSP for agricultural crops on the basis of C2 system.

Cost of production is one of the important factors in the determination of MSPs. While recommending its price policy, the CACP considers all costs in a comprehensive manner which is based on the methodology recommended by Expert Committees from time to time.

CACP considers both A2+FL and C2 costs while recommending MSP. 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.

Government's price policy is to ensure remunerative prices to farmers by offering to procure their produce at MSP. However, farmers are free to sell their produce to the Government procurement agencies at MSP or in the open market whichever is advantageous to them.

Apart from increasing MSP, Government has taken several steps to provide remunerative prices to farmers for their produce which include undertaking procurement through designated procurement agencies, implementing e-National Agriculture Market (eNAM), enacting the Model Agricultural Produce and Livestock Marketing (Promotion & Facilitation) Act, 2017 and promoting Farmer Producer Organizations (FPOs).

The Government is working on market architecture so as to ensure that farmers get remunerative prices on their produce. These include setting up of Gramin Agricultural Markets (GrAMs) with a view to promote 22,000 number of retail markets in close proximity of farm gate; competitive and transparent wholesale trade at APMC through e-NAM.

The recently launched Umbrella Scheme "Pradhan Mantri Annadata Aay Sanraksha Abhiyan (PM-AASHA)" provides for a holistic arrangement for assurance of a remunerative price for farmers. This Umbrella Scheme comprises Price Support Scheme (PSS) for pulses, oilseeds and copra, Price Deficiency Payment Scheme (PDPS) and Pilot of Private Procurement & Stockist Scheme (PPSS) for oilseeds to ensure MSP to the farmers.

MSP operations are given wide publicity through pamphlets, banners, sign boards, radio, TV

and advertisements through print & electronic media. In addition to that farmers are made aware of the quality specifications and purchase system to facilitate the farmers to bring their produce conforming to the specifications.

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

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