

MINIMUM SUPPORT PRICE POLICY

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

Government fixes Minimum Support Prices (MSPs) for 22 mandated agricultural crops on the basis of the recommendations of the Commission for Agricultural Costs & Prices (CACP), after considering the views of State Governments and Central Ministries/Departments concerned and other relevant factors. While recommending MSP, CACP considers various factors viz. cost of production, overall demand-supply situations of various crops in domestic and world markets, domestic and international prices, inter-crop price parity, terms of trade between agriculture and non-agriculture sector, likely effect of price policy on rest of economy and a minimum of 50 percent as the margin over cost of production.

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 overall India weighted average cost of production for the agricultural year 2018-19 and 2019-20. In line with the same principle, Government has recently (1st June 2020) announced the increase in MSP for all mandated kharif crops for marketing season 2020-21.

MSP is determined for the country as a whole and not region or state-specific. The 22 mandated crops, for which MSP is being announced by the government for the last three years, include 14 Kharif crops viz. paddy (Common and Grade 'A'), jowar (Hybrid and Maldandi varieties), bajra, maize, ragi, arhar, moong, urad, groundnut, soyabean, sunflower, sesamum, nigerseed, cotton (medium staple and long staple variety) and 6 Rabi crops viz. wheat, barley, gram, masur (lentil), rapeseed & mustard, safflower and two commercial crops viz. jute and copra (milling and ball copra). In addition, MSP for toria and de-husked coconut are also fixed on the basis of MSPs of rapeseed & mustard and copra respectively.

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

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