

GOVERNMENT OF INDIA
MINISTRY OF AGRICULTURE AND FARMERS WELFARE
DEPARTMENT OF AGRICULTURE, COOPERATION & FARMERS WELFARE

LOK SABHA
STARRED QUESTION NO. 185
TO BE ANSWERED ON THE 31ST JULY, 2018

FORMULA FOR MSP

*185. SHRI RAM MOHAN NAIDU KINJARAPU:
SHRI MAGANTTI VENKATESWARA RAO (BABU):

Will the Minister of AGRICULTURE AND FARMERS WELFARE कृषि एवं किसान कल्याण
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be pleased to state:

- (a): the formula adopted for determining the Minimum Support Price (MSP for paddy announced by the Government recently;
- (b): whether the latest MSP for paddy and other crops matches with the price formula of C2 plus 50 per cent as recommended by the Swaminathan Commission on Farmers and if so, the details thereof; and
- (c): the measures taken by the Government over the last four years in ensuring MSP equal to C2 plus 50 per cent?

ANSWER

MINISTER OF AGRICULTURE AND FARMERS WELFARE

कृषि एवं किसान कल्याण ½â"ãè (SHRI RADHA MOHAN SINGH)

(a) to (c): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (c) OF LOK SABHA STARRED QUESTION NO. 185 DUE FOR REPLY ON 31ST JULY, 2018.

(a): Government fixes minimum support prices (MSPs) of 22 mandated agricultural crops (14 kharif crops which includes paddy, 6 rabi crops and 2 other commercial crops) and fair & remunerative price (FRP) for sugarcane on the basis of recommendations of the Commission for Agricultural Costs & Prices (CACP). 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, the 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 productive resources like land and water.

Government has announced the Minimum Support Prices (MSPs) for kharif crops 2018-19 on 4th July 2018. This decision of the Government of India is a historic one as it redeems the promise of the pre-determined principle of fixing the MSPs at a level of at least 150 per cent of the cost of production announced by the Union Budget for 2018-19. The Commission for Agricultural Costs and Prices (CACP) recommended MSPs for all kharif crops broadly in line with the announced principle.

The Government announced the MSP of kharif crops for 2018-19 season is in accordance with the established practice. MSP of paddy (common) has been increased by Rs. 200 and fixed at Rs 1750 per quintal and Paddy (Grade A) has been increased by Rs 180 and fixed at Rs 1770 per quintal for 2018-19 season. Details of crop wise cost of production (cost), MSPs and return over cost for the years 2017-18 & 2018-19 for all kharif crops is at Annexure I.

(b): National Commission on Farmers (NCF) headed by Dr. M.S. Swaminathan has 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% returns over cost of production was not included. Dr. (Shri) M. S. Swaminathan in his Report on NCF had discussed different dimensions of fixing MSPs, but while finalizing National Policy on Farmers, the then Government had accepted the current established methods.

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. The costs include all paid out costs such as those incurred on account of hired human labour, bullock labour/machine labour, rent paid for leased in land, expenses incurred in cash and kind on the use of material inputs like seeds, fertilizers, manures, irrigation charges, depreciation on implements and farm buildings, interest on working capital, diesel/electricity for operation of pump sets etc, miscellaneous expenses and imputed value of family labour. Hence the costs considered are very comprehensive and based on the methodology recommended by Expert Committees from time to time.

(c): While cost of cultivation of crops tends to go up year-on-year on account of rise in prices of inputs used, cost of production may go up or down depending on the all India yield levels. The details of increase in MSP and all India weighted average cost of production of Kharif crops from 2014-15 to 2018-19 is given at Annexure II and Annexure III respectively. It is seen that increase in MSP has been much higher than the increase in cost of production in 2018-19.

Annexure referred to in reply to part (a) of Lok Sabha Starred Question No.185 due for reply on 31.07.2018.

Cost*, Minimum Support Prices (MSPs) and Return over Cost

(Rs/quintal)

Sl. No.	Commodity KHARIF CROPS	2017-18			2018-19		
		Cost	MSP	% Return over cost	Cost	MSP	% Return over Cost
1	PADDY(Common)	1117	1550	38.76	1166	1750	50.09
	(Grade A) ^		1590			1770	
2	JOWAR (Hybrid)	1556	1700	9.25	1619	2430	50.09
	(Maldandi) ^		1725			2450	
3	BAJRA	949	1425	50.16	990	1950	96.97
4	MAIZE	1044	1425	36.49	1131	1700	50.31
5	RAGI	1861	1900	2.10	1931	2897	50.01
6	ARHAR(Tur)	3318	5450	64.26	3432	5675	65.36
7	MOONG	4286	5575	30.07	4650	6975	50.00
8	URAD	3265	5400	65.39	3438	5600	62.89
9	COTTON (Medium Staple)	3276	4020	22.71	3433	5150	50.01
	(Long Staple) ^		4320			5450	
10	GROUNDNUT IN SHELL	3159	4450	40.87	3260	4890	50.00
11	SUNFLOWER SEED	3481	4100	17.78	3592	5388	50.01
12	SOYABEEN	2121	3050	43.80	2266	3399	50.01
13	SESAMUM	4067	5300	30.32	4166	6249	50.01
14	NIGERSEED	3912	4050	3.53	3918	5877	50.01

* Includes all paid out costs such as those incurred on account of hired human labour, bullock labour/machine labour, rent paid for leased in land, expenses incurred on use of material inputs like seeds, fertilizers, manures, irrigation charges, depreciation on implements and farm buildings, interest on working capital, diesel/electricity for operation of pump sets etc, miscellaneous expenses & imputed value of family labour.

^ Cost is not separately compiled for Paddy (Grade A), Jowar (Maldandi) & Cotton (long staple).

Annexure- II

Annexure referred to in reply to part (c) of Lok Sabha Starred Question No.185 due for reply on 31.07.2018.

Absolute increase in Minimum Support Prices (MSPs) of Kharif crops:**(Rs/quintal)**

Sl. No.	Commodity	Variety	2014-15	2015-16	2016-17	2017-18	2018-19
	<u>KHARIF CROPS</u>						
1	PADDY	Common	50	50	60	80	200
		Grade 'A'	55	50	60	80	180
2	JOWAR	Hybrid	30	40	55	75	730
		Maldandi	30	40	60	75	725
3	BAJRA		0	25	55	95	525
4	MAIZE		0	15	40	60	275
5	RAGI		50	100	75	175	997
6	ARHAR(Tur)		50	275	425	400	225
7	MOONG		100	250	375	350	1400
8	URAD		50	275	375	400	200
9	COTTON	Medium Staple	50	50	60	160	1130
		Long Staple	50	50	60	160	1130
10	GROUNDNUT IN SHELL		0	30	190	230	440
11	SUNFLOWER SEED		50	50	150	150	1288
12	SOYABEEN	Yellow	0	40	175	275	349
13	SESAMUM		100	100	300	300	949
14	NIGERSEED		100	50	175	225	1827

**Annexure referred to in reply to part (c) of Lok Sabha Starred Question No.185
due for reply on 31.07.2018.**

Absolute increase in cost of production of Kharif crops

(Rs/quintal)

Sl. No.	Year	2014-15	2015-16	2016-17	2017-18	2018-19
	KHARIF CROPS					
1	PADDY(Common)	17	42	25	72	49
2	JOWAR (Hybrid)	101	97	34	55	63
3	BAJRA	64	61	32	24	41
4	RAGI	136	214	45	128	70
5	MAIZE	54	27	25	78	87
6	ARHAR(Tur)	15	132	4	77	114
7	MOONG	115	103	72	221	364
8	URAD	81	230	129	-319	173
9	GROUNDNUT IN SHELL	512	82	57	-212	101
10	SUNFLOWER SEED	129	153	197	2	111
11	SOYABEAN	37	41	82	269	145
12	SESAMUM	846	367	56	-121	99
13	NIGERSEED	805	62	220	546	6
14	COTTON (Medium Staple)	25	243	136	387	157
