

**GOVERNMENT OF INDIA  
AGRICULTURE  
LOK SABHA**

STARRED QUESTION NO:169

ANSWERED ON:13.12.2004

MINIMUM SUPPORT PRICE OF PADDY

Ahir Shri Hansraj Gangaram;Kushwaha Shri Narendra Kumar

**Will the Minister of AGRICULTURE be pleased to state:**

- (a) whether the farmers organizations in the country have demanded from the Union Government to take into account the cost price while fixing the Minimum Support Price (MSP) of paddy;
- (b) if so, whether the Government has issued any guidelines to the Commission for Agricultural Costs and Prices (CACP) in this regard;
- (c) the details of the MSP fixed for the paddy alongwith its cost price during 2004-05, State-wise;
- (d) the reasons for fixing MSP of paddy at lower level than its cost price;
- (e) the steps taken or proposed to be taken by the Government to fix the MSP in conformity with cost price; and
- (f) the details of target fixed for the procurement of paddy?

**Answer**

MINISTER OF AGRICULTURE (SHRI SHARAD PAWAR)

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

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (f) OF LOK SABHA STARRED QUESTION NO. 169 DUE FOR REPLY ON 13TH DECEMBER, 2004.

(a)&(b): In its exercise concerning price policy, the Commission for Agricultural Costs & Prices (CACP) is guided by the Terms of Reference laid down by the Government, which are given at Annex I. According to the Terms of Reference, CACP is to advise on the price policy of crops covered under MSP with a view to evolving a balanced and integrated price structure in the perspective of the overall needs of the economy and with due regard to the interests of the producers and consumers. While formulating the price policy for agricultural commodities, the CACP consults various states and stake holders, including farmers and their organizations.

(c) to (e): MSP of Paddy (common) has been fixed at Rs. 560 per quintal while for Paddy (Grade A) MSP has been fixed at Rs. 590 per quintal. Statewise projected cost of production for 2004-05 is given in Annex II. As may be seen from the statement at Annex II, the MSP is lower than the weighted average C2 cost (actual expenses incurred in cash and kind, rent for leased-in land and imputed value of wages of family labour, rent for owned land and interest on fixed capital) in three states namely Haryana, Kerala and Madhya Pradesh. As regards, A2+FL cost (actual expenses in cash and kind incurred in production + rent paid for leased-in land + imputed value of family labour) MSP is higher in all states except Kerala. In regard to Kerala, the high cost mainly reflects the exceptionally high labour cost in that state.

The main objective of price policy for agricultural produce is to ensure remunerative prices to the growers for their produce. With a view to encourage higher investment and production, and to safeguard the interests of consumers by making available supplies at reasonable prices, Government announces each season Minimum Support Prices for major agricultural commodities. The MSPs are uniform throughout the country. Since MSPs do not necessarily exceed the weighted average C2 cost in respect of all crops/States, the price policy seeks to ensure that the A2+FL cost is covered by MSP in high cost/less endowed States.

(f): No target for procurement of paddy is set. However, in the meeting of Food Secretaries of State Governments held by the Department of Food & Public Distribution on 18th August, 2004 it was tentatively estimated that the total procurement of rice in 2004-05 would be 22.5 million tonnes.

**ANNEXURE-I**

**Terms of Reference of CACP**

The Terms of Reference of the Commission were framed as under:

1. To advice on the price policy of paddy, rice, wheat, jowar, bajra, maize, ragi, barley, gram, tur, moong, urad, sugarcane, groundnut, soyabean, sunflower seed, rapeseed and

mustard, cotton, jute, tobacco and such other commodities as the Government may indicate from time to time with a view to evolving a balanced and integrated price structure in the perspective of the overall needs of the economy and with due regard to the interests of the producer and the consumer.

2. While recommending the price policy and the relative price structure, the Commission may keep in view the following:

- # The need to provide incentive to the producer for adopting improved technology and for developing a production pattern broadly in the light of national requirements;
- # The need to ensure rational utilization of land, water and other production resources;
- # The likely effect of the price policy on the rest of the economy, particularly on the cost of living, level of wages, industrial cost structure, etc.

3. The Commission may also suggest such non-price measures as would facilitate the achievement of the objectives set out in 1 above.

4. To recommend from time to time, in respect of different agricultural commodities, measures necessary to make the price policy effective.

5. To take into account the changes in terms of trade between agricultural and non-agricultural sectors.

6. To examine, where necessary, the prevailing methods and cost of marketing of agricultural commodities in different regions, suggest measures to reduce costs of marketing and recommend fair price margins for different stages of marketing.

7. To keep under review the developing price situation and to make appropriate recommendations, as and when necessary, within the framework of the overall price policy.

8. To undertake studies in respect of different crops as may be prescribed by Government from time to time.

9. To keep under review studies relating to the price policy and arrangements for collection of information regarding agricultural prices and other related data and suggest improvements in the same, and to organize research studies in the field of price policy.

10. To advice on any problems relating to agricultural prices and production that may be referred to it by Government from time to time.

The Terms of Reference of the Commission given above were issued on 5th March, 1980 after modifying and expanding the Terms of Reference issued initially at the time of setting up Agricultural Prices Commission (APC) on 8th January 1965. From the year 1995-96 onwards, nigerseed and sesamum were included under the Minimum Support Price (MSP), in addition to the edible oilseeds already covered by the Commission. Similarly, during 2001-02, the Government enhanced the Terms of Reference of the Commission by including one additional commodity, namely, lentil (masur).

ANNEXURE-II

STATEWISE COST OF PRODUCTION OF PADDY FOR 2004-05

(Rs. Per quintal)

State      C2 Cost    A2+FL Cost

Andhra Pradesh	557	378
Assam	542	416
Bihar	505	362
Haryana	631	430
Karnataka	551	412
Kerala	764	633
Madhya Pradesh	627	438
Orissa	544	413
Punjab	442	287

Tamilnadu 589 442  
Uttar Pradesh 462 328  
West Bengal 556 425  
Weighted Average 531 384