

**GOVERNMENT OF INDIA  
AGRICULTURE  
LOK SABHA**

UNSTARRED QUESTION NO:1965  
ANSWERED ON:09.03.2010  
CHANGE IN MSP NORMS  
Choudhry Smt. Shruti

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

- (a) the norms and criteria followed by the Union Government while calculating the Minimum Support Price (MSP) for farm produce;
- (b) whether there is a demand from the concerned quarters for effecting change in the manner and method adopted for calculating MSP wherein value of land, value of labour, input and other costs are grossly understated; and
- (c) if so, the details in this regard and the action taken thereon?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE AND MINISTER OF STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION (PROF. K.V. THOMAS)

(a) to (c): The Government fixes the MSPs for agricultural produce taking into account, inter-alia, the recommendations of the Commission for Agricultural Costs and Prices (CACP), the views of concerned State Governments and Central Ministries.

The CACP, while formulating its recommendations on price policy considers a number of important factors which include cost of production, changes in input prices, input/output price parity etc. The cost of cultivation/production includes all paid out costs, such as, those incurred on account of hired human labour, bullock labour/machine labour (both hired and owned) and rent paid for leased in land besides cash and kind expenses on use of material inputs like seeds, fertilizers, manures, irrigation charges including cost of diesel/electricity for operation of pump sets, etc. Besides, cost of production includes imputed value of wages of family labour and rent for owned land. The cost also covers depreciation of farm machinery and buildings. As such, the cost of production covers not only actual expenses in cash and kind but also imputed value of owned assets including land and family labour.

An Expert Committee under the Chairmanship of Prof. Y. K. Alagh was set up in 2003 to Examine Methodological Issues in Fixing Minimum Support Prices (MSPs). The major recommendations of the Committee have been implemented by the Government.