

**GOVERNMENT OF INDIA
CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION
LOK SABHA**

UNSTARRED QUESTION NO:6283
ANSWERED ON:04.05.2010
DETERMINATION OF ECONOMIC COST
Pandey Saroj

Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

- (a) the criteria adopted for calculation of Minimum Support Price (MSP) for paddy and economic cost for distribution of rice;
- (b) whether the actual expenditure incurred forms the basis for calculation of MSP and Economic cost of foodgrains including rice and paddy;
- (c) if so, the details thereof indicating the actual expenditure that formed the basis for calculating these prices during the last three years;
- (d) whether the delay in computation of Economic cost puts a heavy burden on the State Governments under decentralized procurement; and
- (e) if so, the details thereof and the steps taken to formulate a corrective policy?

Answer

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

(a), (b) & (c): The Government fixes the Minimum Support Prices (MSPs) of agricultural produce including paddy, taking into account the recommendations of the Commission for Agricultural Costs & Prices (CACP), the views of concerned State Governments and Central Ministries. The CACP while formulating its recommendations on price policy considers, inter-alia, a number of factors which include cost of production, changes in input prices, input/output price parity, trends in market prices, demand and supply situation, inter-crop price parity, effect on industrial cost structure, effect on general price level, effect on cost of living, suggestions received from farmers/others etc.

Economic cost is calculated only for rice and not for paddy. The economic cost of rice is calculated provisionally every year at the beginning of Kharif Marketing Season (KMS) and consists of sum of acquisition cost and the distribution cost on the quantity of rice distributed. It includes MSP and other incidentals like Statutory Charges, Mandi Labour, Transportation, Storage, Milling, Interest and Administrative Charges etc. The provisional economic cost is finalized on the basis of actual audited expenditure. The details of economic cost of FCI for 2007-08, 2008-09 and 2009-10 are at Annexure I.

(d) & (e): Economic cost of rice for each DCP State is provisionally fixed every year at the beginning of Kharif Marketing Season. Provisional subsidy amounting to 95% of admissible claim on the basis of provisional economic cost is released to DCP States. Balance 5% claim is released on finalization of economic cost which is finalized after the examination of audited accounts/annual reports for the respective year submitted by the States.