

**GOVERNMENT OF INDIA
AGRICULTURE
LOK SABHA**

UNSTARRED QUESTION NO:429

ANSWERED ON:27.07.2010

MINIMUM SUPPORT PRICE

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Will the Minister of AGRICULTURE be pleased to state:

(a) whether the Government has increased the Minimum Support Price (MSP) of agricultural produce on the recommendations of the Commission for Agricultural Costs and Prices for the 2010-11 Kharif harvest season taking into account the increase of diesel and petrol prices to offset the increase in fuel prices;

(b) if so, the details thereof alongwith the objectives and parameters of MSP fixed, crop-wise;

(c) whether there is a huge gap between the MSP and market rates of agricultural produce;

(d) if so, the details thereof alongwith the reasons for such gaps; and

(e) the measures taken by the Government to bridge the gap between the MSP and prevailing rates of agricultural produce in the market and to ensure the benefits of the MSP to the farmers?

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) & (b): The Government's Price policy (MSP) for agricultural commodities seeks to ensure remunerative prices to the growers for their produce with a view to encourage higher investment and production, and to safeguard the interest of consumers by making available supplies at reasonable prices.

The MSPs for kharif crops have been fixed for 2010-11 season, inter-alia, taking into account 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 has considered, 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. The increase in the cost of inputs, including diesel and petrol, is accounted for by the CACP in the estimation of the cost of production by use of appropriate price index.

(c) to (e): Prices of agricultural commodities are primarily driven by the market forces of demand and supply. MSPs are in the nature of minimum guaranteed price for the produce of the farmers to safeguard their interest. Therefore, there can be variation between MSP and market price. Farmers are free to sell their produce in the open market in case the market prices rule above the MSP.

The Government extends price support to the farmers by organizing procurement operations at MSP through public and cooperative agencies. The designated agencies intervene in the market for undertaking procurement operations whenever the market prices fall below the MSPs fixed by the Government.