

**GOVERNMENT OF INDIA
AGRICULTURE
LOK SABHA**

UNSTARRED QUESTION NO:3022
ANSWERED ON:24.04.2012
METHODOLOGY FOR MSP
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Will the Minister of AGRICULTURE be pleased to state:

- (a) whether the methodology for recommending Minimum Support Price (MSP) for various agricultural commodities by the Commission for Agricultural Costs and Prices (CACP) has been modified in the light of recommendations of an Expert Committee under the chairmanship of Prof. Y.K. Alagh;
- (b) if so, the details thereof;
- (c) whether the said modified methodology differs from the one recommended by Prof. Swaminathan; and
- (d) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE, FOOD PROCESSING INDUSTRIES AND PARLIAMENTARY AFFAIRS (SHRI HARISH RAWAT)

(a) & (b): On the basis of the recommendations of the Expert Committee to Examine Methodological Issues in Fixing Minimum Support Price (MSP), under the Chairmanship of Dr. Y.K. Alagh, Government has accepted to include, inter alia, the premium paid by farmers for crop insurance, marketing and transport charges as additional items of cost to estimate the cost of production. The Commission for Agricultural Costs & Prices (CACP) while recommending MSP considers a number of important factors which include, inter alia, cost of production, changes in input prices, trends in market prices, demand and supply situation, effect on general price level, effect on cost of living etc.

(c) & (d): The Expert Committee under the Chairmanship of Dr. Y.K. Alagh was constituted to Examine Methodological Issues in Fixing MSP. The terms of reference of the National Commission on Farmers (NCF) constituted by the Government under the Chairmanship of Dr. M.S. Swaminathan covered not only determining the norms for fixing the MSP for agricultural commodities but also the whole gamut of Indian Agriculture. These include, inter alia, a comprehensive medium-term strategy for food and nutrition security in the country; propose methods of enhancing the productivity, profitability, stability and sustainability of the major farming systems of the country; suggest comprehensive policy reforms designed to enhance investment in agri-research, substantially increase flow of rural credit to farmers etc.

NCF had recommended that the MSP should be at least 50 percent more than the weighted average cost of production. This recommendation, however, has not been accepted by the Government because MSP is recommended by the CACP based on objective criteria and considering variety of relevant factors. Hence, prescribing an increase of at least 50 percent on cost may distort market. A mechanical linkage between MSP and cost of production may be counterproductive in some cases.