

**GOVERNMENT OF INDIA  
AGRICULTURE  
LOK SABHA**

STARRED QUESTION NO:265

ANSWERED ON:24.04.2012

MSP FOR AGRICULTURAL PRODUCE

Bajwa Shri Partap Singh;Kaswan Shri Ram Singh

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

(a) whether the Government has taken note of the gap which exists between the prices of various agricultural produce/ commodities recommended by the Commission for Agricultural Costs and Prices (CACP) and the Minimum Support Price (MSP)/Statutory Minimum Price (SMP) declared by the Union Government.

(b) if so, the reaction of the Government thereto;

(c) whether suggestions have been received from various quarters to revamp CACP and also place a mechanism for collecting the data of estimating cost of cultivation independently and if so, the details thereof;

(d) the cost of cultivation of various agricultural crops including labour charges and agricultural inputs assessed by CACP vis-a-vis MSP/SMP of such crops, during each of the last three years and the current year, crop-wise; and

(e) the steps taken/proposed to be taken by the Government to provide adequate compensation to farmers for their produce?

**Answer**

MINISTER OF AGRICULTURE (SHRI SHARAD PAWAR)

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

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF LOK SABHA STARRED QUESTION NO. 265 DUE FOR REPLY ON 24TH APRIL, 2012.

(a) & (b): The Minimum Support Prices (MSPs)/Statutory Minimum Price/Fair & Remunerative Price (SMP/FRP) recommended by CACP are generally accepted by the Government, and in fact, have been improved upon by the Government by grant of bonus over and above the recommended MSP as in the case of paddy (in 2007-08 & 2009-10), wheat (in 2010-11) and kharif pulses (in 2007-08, 2010-11 & 2011-12). In 2008-09, however, in case of Paddy, a lower MSP was fixed against the MSP recommended by the CACP but a bonus of Rs.50 per quintal was announced subsequently.

(c): Representations have been received from time to time from farmers' organisation/State Governments regarding the methodology for estimating the cost of production. The methodology for estimating the cost of production is reviewed from time to time. An Expert Committee under the Chairmanship of Dr. Y.K. Alagh was constituted to Examine Methodological Issues in Fixing Minimum Support Price (MSP). In 2009, on the basis of the recommendations of this Committee, the methodology has been modified and the premium paid by farmers for crop insurance, marketing and transport charges have been included as additional items of cost to estimate the cost of production. Under the Comprehensive Scheme for Studying the Cost of Cultivation of Principal Crops in the country, estimates of cost of cultivation/production are collected with the help of State Agricultural Universities and Agro Economic Research Centre located in various states.

(d): The Government fixes the Minimum Support Prices (MSPs) of various crops based on the recommendations of the CACP, the views of concerned State Governments and Central Ministries/Departments. While formulating its recommendations on price policy, CACP considers, inter alia, a number of important factors which include 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. The cost of cultivation/production, inter alia, includes all input costs including labour charges. The Minimum Support Prices of major agricultural commodities since 2009-10 and the all India weighted average projected cost of production estimated by the CACP is at Annexure.

(e): The Government ensures remunerative prices through procurement operations undertaken by the Central, State and cooperative agencies in the states at MSP. However, if the market offers higher price than MSP, the farmers are free to sell at that price.