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COMMITTEE ON AGRICULTURE
(2014-2015)

SIXTEENTH LOK SABHA

MINISTRY OF AGRICULTURE
(DEPARTMENT OF AGRICULTURE
AND CO-OPERATION)

'PRICING OF AGRICULTURAL PRODUCE'

[Action Taken by the Government on the Observations/Recommendations contained in the Sixtieth Report (Fifteenth Lok Sabha) of the Committee on Agriculture (2013-2014)]

TWELFTH REPORT



सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

April, 2015/Vaisakha, 1937 (Saka)

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Committee on Agriculture (2013-2014)]*

*Presented to Lok Sabha on 29.04.2015
Laid on the Table of Rajya Sabha on 29.04.2015*



LOK SABHA SECRETARIAT
NEW DELHI

April, 2015/Vaisakha, 1937 (Saka)

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COMPOSITION OF THE COMMITTEE ON AGRICULTURE
(2014-2015)

Shri Hukm Deo Narayan Yadav — *Chairperson*

MEMBERS

Lok Sabha

2. Shri Sanganna Amarappa
3. Prof. Ravindra Vishwanath Gaikwad
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SECRETARIAT

1. Shri Abhijit Kumar — *Joint Secretary*
2. Smt. Abha Singh Yaduvanshi — *Director*
3. Shri C. Vanlalruata — *Deputy Secretary*
4. Shri Deepak Kumar — *Executive Assistant*

INTRODUCTION

I, the Chairperson, Committee on Agriculture (2014-15), having been authorized by the Committee to submit the Report on their behalf, present this Twelfth Report on action taken by the Government on the Observations/Recommendations contained in the Sixtieth Report (Fifteenth Lok Sabha) of the Committee on Agriculture (2013-14) on 'Pricing of Agricultural Produce' pertaining to the Ministry of Agriculture (Department of Agriculture and Cooperation).

2. The Sixtieth Report (Fifteenth Lok Sabha) of the Committee on Agriculture (2013-14) on 'Pricing of Agricultural Produce' of the Ministry of Agriculture (Department of Agriculture and Cooperation) which was presented to the Hon'ble Speaker on 15 March, 2014 and Lok Sabha on 10 June, 2014 by the Secretary General under Direction 71A(6) of the Directions by Speaker, Lok Sabha and laid on the Table of Rajya Sabha on 11 June, 2014. The Action Taken Notes on the Report were received on 13 May, 2014.

3. The Report was considered and adopted by the Committee at their Sitting held on 15.04.2015.

4. An analysis of the action taken by the Government on the Observations/Recommendations contained in the Sixtieth Report (Fifteenth Lok Sabha) of the Committee is given in Appendix.

NEW DELHI;
21 April, 2015

01 Vaisakha, 1937 (Saka)

HUKM DEO NARAYAN YADAV,
Chairperson,
Committee on Agriculture.

CHAPTER I

REPORT

This Report of the Committee on Agriculture deals with the action taken by the Government on the recommendations contained in the Sixtieth Report of the Committee on Agriculture (2013-14) on 'Pricing of Agricultural Produce' of the Ministry of Agriculture (Department of Agriculture and Cooperation) was presented to Hon'ble Speaker on 15 March, 2014, subsequently in accordance with Direction 71(A)(6) of the Directions by the Speaker, Lok Sabha, the Report was laid on the table of the Lok Sabha on 10 June, 2014 and on the Table of Rajya Sabha on 11 June, 2014.

1.2 The Ministry of Agriculture (Department of Agriculture and Cooperation) have furnished Action Taken Replies in respect of all the 15 Observations/Recommendations contained in the Report. These have been categorized as under:—

- (i) Observations/Recommendations that have been accepted by the Government:

Recommendation Para Nos. 3, 8, 9, 10, 11, 13, 14, 15

(Total : 08)
(Chapter-II)

- (ii) Observations/Recommendations which the Committee do not desire to pursue in view of the Government's reply:

Recommendation Para No. NIL

(Total : NIL)
(Chapter-III)

- (iii) Observations/Recommendations in respect of which action taken replies of the Government have not been accepted by the Committee:

Recommendation Para Nos. 1, 2, 6, 7

(Total : 04)
(Chapter-IV)

- (iv) Observations/Recommendations in respect of which final replies of the Government are still awaited:

Recommendation Para Nos. 4, 5, 12

(Total : 03)
(Chapter-V)

1.3 The Committee trust that utmost importance would be given to implementation of the Observations/Recommendations accepted by the Government. In cases, where it is not possible for the Department to implement the Recommendations in letter and spirit for any reason, the matter should be reported to the Committee with reasons for non-implementation. The Committee desire that further Action Taken Note on the Observations/Recommendations contained in Chapter-I and Final Action Taken Replies to the Recommendations contained in Chapter-V of this Report be furnished to them within a period of three months.

1.4 The Committee will now deal with the action taken by the Government on some of the Recommendations in the succeeding paragraphs.

Moving Towards Remunerative Pricing Mechanism

Recommendation (Para No. 1)

1.5 Minimum Support Price (MSP) fixed by the Government acts as the floor price of an agricultural commodity and safeguards the interests of farmers. Presently, 24 crops are covered under MSP and only one crop *viz.* sugarcane is covered under Fair and Remunerative Price (FRP) mechanism. The Committee have been informed that no specific profit margin over cost of production is considered by the CACP. Since agriculture is becoming unremunerative particularly for small and marginal farmers due to variety of reasons, the Committee feel that the Government should move towards remunerative pricing mechanism for all the 24 crops. The Committee do not agree with the view of DAC that prescribing an increase of 50% on cost of production as recommended by the National Commission on Farmers headed by Prof. M.S. Swaminathan may distort the market. What is paramount is the lively-hood of farmers. Distortion, if any, in market on account of remunerative pricing of agricultural produce must be suitably addressed. The Committee urge that steps should be taken to fix

remunerative pricing with 50% profit margin over cost of production, for all the 24 crops without any further delay as already recommended by this Committee in their Forty-first Report (14th Lok Sabha) in the year 2007-08.

1.6 The Department in the Action Taken Note have stated that Minimum Support Prices (MSPs) are fixed by the Government on the recommendations of Commission for Agricultural Costs and Price (CACP) which considers a number of important factors while recommending MSPs, the views of State Governments and Central Ministries as well as such other relevant factors which are considered important for fixation of support prices. MSP fixed by the Government is in the nature of minimum guaranteed price offered by the Government. In case the market offers higher price than the MSP, the farmers are free to sell at that higher price. As of now, the Commission for Agricultural Costs and Prices (CACP) recommends MSP of 22 commodities, besides recommending Fair and Remunerative Price (FRP) of sugarcane. While recommending MSP/FRP, various factors including demand and supply; cost of production; price trends in the market, both domestic and international; inter-crop price parity; terms of trade between agriculture and non-agriculture; and likely implications of MSP on consumers of that product are kept in view. It may be pertinent to point out that MSP is a pricing policy and should not be the main instrument of achieving the objective of equity/income. CACP, which is an independent body of experts considers, among other factors, the costs of production of various crops for all the major producing States, as collected by different State Agricultural/General Universities/Institutions under the Comprehensive Scheme for the Study of Cost of Cultivation of Ministry of Agriculture. The sample size is as large as 8,100 holdings. The sample covers the different regions of the country. Thus, CACP considers the cost of production of crops in different States, while recommending the MSPs. The Commission also considers the costs data as submitted by State Governments. The estimates of cost of cultivation/production in respect of the major producing States of a particular crop covered under the scheme are taken into consideration for arriving at a weighted all India average cost of cultivation/production.

The National Commission on Farmers had recommended that the MSP should be at least 50% more than the weighted average cost of production. This recommendation, however, has not been accepted

by the Government because MSP is recommended by CACP based on objective criteria and considering variety of relevant factors. Hence, prescribing a mechanical increase of 50% on cost may distort the market and prove to be counterproductive by encouraging inefficient production and would go against the principle of comparative advantage in producing specific crops. One of the aims of fixing MSPs is to promote its production in regions where such production is most efficient. Fixing of MSPs on cost plus basis would discourage efficiency in the agriculture sector and negate our efforts to bring down cost of cultivation.

1.7 The Committee are not satisfied with the replies furnished by the Government as they have neither accepted the recommendation of National Commission on Farmers (NCF) nor the Committee's concerns of safeguarding farmers interest and no suitable alternative being explored for remunerative prices as recommended by Committee and NCF other than Minimum Support Price (MSP). It must be emphasized that MSP is not the only option available and a more pragmatic approach can be adopted as has been in the case with sugarcane and the prices offered which maintains a fine balance between the Market forces as well as Food Security in the country. Keeping in view, the interests of our farmers, the Committee, reiterate their earlier recommendation that the Government take urgent steps to fix remunerative pricing with 50% profit margin over cost of production, for all the 24 crops without any further delay.

Differential Minimum Support Price Region Wise

Recommendation (Para No. 2)

1.8 Although cost of cultivation of each crop widely varies from region to region, regrettably, MSP is uniform for a single crop for the whole country. According to the Department of Agriculture and Co-operation (DAC), fixing different MSPs (region-wise MSP) for the same crop may neither be practical nor desirable and would defeat the aim of promoting cultivation of crops best suited to a region with maximum competitive advantage. Another reason advanced against differential MSP is that it would lead to movement of agricultural produce to the region having highest MSP, thereby negating the very purpose of differential MSP. The Committee feel that if the country is to sustain self-sufficiency

in production, competitive advantage alone cannot be criterion for promotion of crops. In Committee's view, region-wise MSP presupposes enforcement of appropriate restrictions by respective regions. The Committee, therefore, desire that steps should be taken in a time bound manner to fix region-wise MSP, initially on experimental basis and its continuation or otherwise decided on the basis of results of the experiment.

1.9 In their Action Taken Note, Department of Agriculture and Cooperation have stated that the mandate of the Commission for Agricultural Costs and Prices (CACPC) is to recommend uniform MSP for any given crop for the entire country. The cost of production (CoP) is one of the factors that is taken into account while recommending MSP. The Commission is conscious of the fact that CoP varies from State to state, region to region, district to district, village to village and even farm to farm. When all India weighted average cost is factored into MSP, some of the farmers may have higher CoP than the All India weighted average, while others may have lower than the all India weighted average cost. This methodology is time tested and is being applied for almost five decades now. The Commission is of the considered opinion that there is no justification for introducing region-wise MSP.

1.10 The Committee voice their concern over the reply of the Ministry which does not give much weightage to the factor of cost of production while deciding upon the MSP for a crop for the entire country. In the opinion of the Committee, cost of production is a very vital factor that has to be considered while deciding MSP, otherwise the farmer would never be able to recover his input cost. They also do not buy the second argument against region-wise MSP i.e. the present methodology is time tested and is being applied for almost five decades now, as this time tested method has worked towards the detriment of the majority of farmers, whilst benefiting a selected few. Wanting the Government to break free from the shackles of the past and to actually work towards a sustainable development of agriculture in the country, the Committee reiterate their earlier recommendation that immediate steps should be taken in a time bound manner to fix region-wise MSP, initially on experimental basis and its continuation or otherwise decided on the basis of results of the experiment.

Transforming Commission for Agricultural Costs and Prices Into a Statutory Body

Recommendation (Para No. 3)

1.11 One of the suggestions made to the Committee by various experts relates to transforming the CACP into a statutory body and making its recommendations binding on the Government. According to the DAC, binding nature of recommendations of statutory CACP on various aspects of agriculture would be fraught with practical difficulties. It would also preclude the Government from enhancing the MSP over and above what is recommended by CACP as had often been done in the past. The Committee note that the Government has plans for giving agricultural subsidy through direct cash transfer mechanism. The Committee would like to point out that the proposed direct transfer mechanism is not free of bottlenecks and challenges. In Committee's view, the MSP mechanism ought to be continued with the existing procurement system for implementation of Food Security Act and expeditious steps should also be taken for introduction of direct cash transfer mechanism for agricultural subsidy. The Committee would await steps taken in this regard.

1.12 The Department in their Action Taken Note have submitted that CACP is an autonomous organisation and granting of statutory status to CACP implies statutory status to its recommendations and their implementation. The implementation shall have to be enforced as a statutory obligation. Government feels that the States are not in a position to implement the recommendations as a statutory obligation. Government aims to make agriculture competitive to make the farmers self reliant rather than regulating the farm operations and making the farmers over dependent on Government. Government generally agrees with CACP's recommendations or at times, due to the exigencies of the situation, even improves upon CACP's recommendations. The benefit of MSP is availed by the farmers directly through the procurement operations undertaken by Food Corporation of India (FCI) and various Agencies of the State Governments. Government aims to move towards direct cash transfers which would be more efficient, effective and inclusive in serving the interests of all the farmers of the country, irrespective of their region and/or the crops cultivated by them.

1.13 Irrespective of the arguments put forth by the Government for maintaining status quo on the status of CACP, the Committee

are of the view that the Government should grant statutory status to CACP otherwise it would continue to remain a toothless tiger and not be able to carry out its mandate. They also feel that granting statutory status to CACP would in no way regulate the farm operations but would in the long run benefit the majority of the farmers. The Committee desire that the Government relook into this matter.

With regard to steps taken by the Government for introduction of Direct Cash Transfer Mechanism for agricultural subsidy, the Committee desire that expeditious steps be taken in that regard and they be apprised of the same.

Restructuring of Composition of CACP

Recommendation (Para No. 6)

1.14 The Committee note that CACP has only two non-official members representing the farming community. The Committee desire that the composition of CACP should be broad based to include at least four non-official members representing the farming community from all the four regions of the country to enable them to have their say in the CACP. Further, there should be transparency in the appointment of non-official members of the CACP.

1.15 The Department in their Action Taken Note have informed the CACP has a Chairman, Member (Official), two Non-Official Members (Farmers Representatives) and a Member Secretary. The post of Chairman is vacant since 01.03.2014 and Member is holding the charge at present. The Chairman and Members of CACP are appointed on the basis of recommendation of a Committee constituted as per instructions of Department of Personnel and Training (DoPT) duly approved by the Appointments Committee of Cabinet (ACC). Before recommending the MSP to the Government the Commission invites the views of the State Governments through a questionnaire as well as holds meetings with the stakeholders like FCI, Department of Consumer Affairs, Agriculture Commissioner (DAC), Indian Institute of Pulses Research (UP), Central Rice Research Institute (Odisha), Directorate of Sorghum Research, (AP), Rice Millers Association (Haryana), Indian Oilseeds and Produce Export Promotion Council (Mumbai), Farmer's Association, Fertilizer Association of India, NAFED etc. Farmers are also invited to know their views on the price

policy. CACP is already equipped with experts from the statistical and economic services in the field.

1.16 Notwithstanding, the argument put forth by the Department that before recommending the MSP to the Government, the Commission invites the views of the State Governments through a questionnaire as well as holds meetings with all stakeholders including farmers, the Committee are of the considered view that the issue of insufficient representation of farms in CACP has not been addressed to by the Government. Being of the firm conviction that the time has finally dawned for empowering the farming community, they, therefore reiterate their earlier recommendation that the composition of CACP should be broad based to include at least four non-official members representing the farming community from all the four regions of the country to enable them to have their say in the CACP as per their regional vagaries.

Announcing MSP Before Sowing Season

Recommendation (Para No. 7)

1.17 Timely announcement of MSP ahead of the sowing season *i.e.* by 1st June for Kharif crops and by 1st November for Rabi crops would enable farmers to decide about the type and quantum of crops to cultivate during the season. Admittedly, there had been delays in announcement of MSP in the past though there is stated to be improvement in this regard in recent years. Despite timely submission of reports by CACP, the delay reportedly takes place, due to time taken in consultation with various Ministries at the Centre and the State Governments. The Committee hope that considering the importance of timely announcement of MSP to the farming community, the Government will ensure in future that there is no delay whatsoever in this regard.

1.18 In their Action Taken Note, the Department submitted that there is wide variation in the sowing season of various crops varies in a vast country like India. The sowing season for Kharif crops is generally between May-August and for Rabi between October-December. Sometimes there is a delay in announcement of MSP due to time taken in with consultation with various Ministries/Departments in the Central Government namely Ministry of Finance, Ministry of Food, Public Distribution and Consumer Affairs, Planning

Commission, Department of Commerce, Ministry of Textiles etc. In addition, the views of State Governments on the recommendations of CACP are also sought before the finalization of MSPs. The MSPs are invariably announced before the harvest season.

1.19 The Committee are not inclined to accept the reply of the Government that sometimes there is delay in announcement of MSP as the CACP engages in consultation with various stakeholders involved in agriculture. They are also of the firm opinion that the CACP needs to put its house in order and ensure that the process of consultation with stakeholders is completed in a time-bound manner which would be in the interests of the farming community. The Committee, therefore, reiterate that modalities must be workout to ensure timely announcement of MSP, before the sowing season which would enable the farmers to take prudent decisions and crop planning in the wake of prices at market level and MSP. They can thus make much more informed decision about the sowing of the crop rather being left with no choice at harvest season.

Drastic Reduction in Number of Procurement Centers Operated by Jute Corporation of India (JCI) and its Manpower

Recommendation (Para No. 13)

1.20 One of the objectives of creation of the Jute Corporation of India (JCI) is procurement of Jute. The Committee learn that the number of procurement centres operated by JCI has come down by 50 per cent and that there has been drastic reduction in the manpower of JCI. Considering the importance of Jute procurement for the lives of jute growers particularly in the States of West Bengal, Bihar, Odisha, Assam and Andhra Pradesh, the Committee desire that the JCI operations should be strengthened with adequate manpower and increase in the number of procurement centres.

1.21 The Government in their Action Taken Note have stated that Jute Corporation of India (JCI) at present is having operations in 171 centers consisting of 16 Regional Offices, 143 DPCs and 28 Sub Centers. In order to rationalize its manpower, JCI had stopped recruitment since 1991. Therefore, on account of natural attrition, the manpower is coming down every year. In order to increase efficiency of JCI, a study has been conducted to prepare a strategic plan on HRD and business with the aim to review, restructure and revamp the existing organization's structure.

1.22 The Committee note that in order to increase efficiency of JCI, a study has been conducted to prepare a strategic plan on Human Resource Development (HRD) and business with the aim to review, restructure and revamp the existing organisation's structure. Viewing this as a step in the right direction, the Committee desire that this exercise be completed in good time and they be informed about the progress achieved herein.

CHAPTER II

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Transforming Commission for Agricultural Costs and Prices into a Statutory Body

Recommendation (Para No. 3)

One of the suggestions made to the Committee by various experts relates to transforming the CACP into a statutory body and making its recommendations binding on the Government. According to the DAC, binding nature of recommendations of statutory CACP on various aspects of agriculture would be fraught with practical difficulties. It would also preclude the Government from enhancing the MSP over and above what is recommended by CACP as had often been done in the past. The Committee note that the Government has plans for giving agricultural subsidy through direct cash transfer mechanism. The Committee would like to point out that the proposed direct transfer mechanism is not free of bottlenecks and challenges. In Committee's view, the MSP mechanism ought to be continued with the existing procurement system for implementation of Food Security Act and expeditious steps should also be taken for introduction of direct cash transfer mechanism for agricultural subsidy. The Committee would await steps taken in this regard.

Reply of the Government

CACP is an autonomous organisation and granting of statutory status to CACP implies statutory status to its recommendations and their implementation. The implementation shall have to be enforced as a statutory obligation. Government feels that the States are not in a position to implement the recommendations as a statutory obligation. Government aims to make agriculture competitive to make the farmers self reliant rather than regulating the farm operations and making the farmers over dependent on Government. Government generally agrees with CACP's recommendations or at times, due to the exigencies of the situation, even improves upon CACP's recommendations.

The benefit of MSP is availed by the farmers directly through the procurement operations undertaken by Food Corporation of India (FCI) and various agencies of the State Governments.

Government aims to move towards direct cash transfers which would be more efficient, effective and inclusive in serving the interests of all the farmers of the country, irrespective of their region and/or the crops cultivated by them.

[Ministry of Agriculture (Department of Agriculture and Cooperation), F.No. 8-3/2014-FES-ES dated 13 May 2014]

Comments of the Committee

For comments of the Committee please refer to Para No. 1.13 of Chapter I of this Report.

Preventive Steps for Reducing Distress Sale

Recommendation (Para No. 8)

The main objective of MSP is to ensure that there is no distress sale of agriculture produce by farmers at the harvest season. Sadly, there are reports of small and marginal farmers selling their produce below the MSP in some parts of the country particularly in Bihar, West Bengal and Odisha. Implementation of MSP is done through procurement which has been decentralized since 1997-98 with a view to encouraging local procurement thereby extending the benefits of MSP to local farmers. There is a need to increasingly involve Farmers' Cooperatives and Self-Help Groups in the process of procurement. It has been stated that lack of proper marketing infrastructure, storage capacity, milling capacity, etc. adversely affect procurement activity. The Committee would urge the DAC to impress upon those State Governments facing these inadequacies to address the problems on priority and ensure that there is no distress sale by farmers anywhere in the country.

Reply of the Government

Government is making all possible efforts to increase the reach of Minimum Support Price (MSP) operations to avoid distress sale of foodgrains by the farmers. Steps taken to ensure payment of MSP are as follows:—

- (i) To spread awareness, Minimum Support Price (MSP) operations are given wide publicity through pamphlets,

banners, signboards and advertisements through print and electronic media regarding MSP, quality, specifications, purchase system, etc. so that the farmers may bring their produce conforming to the specifications.

- (ii) In order to maximise the outreach of MSP operations, Food Corporation of India (FCI) in consultation with State Governments operates sufficient number of purchase centres at appropriate places.
- (iii) The State Governments engage Self Help Groups (SHGs)/ Societies etc. who have better reach and increase the volume at appropriate places.
- (iv) To ensure that the benefit of MSP reaches the farmers, arrangements have been made to make payments to farmers through account payee cheque/electronic mode, whenever possible.
- (v) State Governments are encouraged to undertake decentralized procurement, so as to enhance the procurement of foodgrains from the farmers.

Bihar, West Bengal and Odisha have adopted Decentralised Procurement (DCP) mode for procurement of foodgrains. As such procurement, storage and distribution of foodgrains is being handled by the State Government themselves through State Agencies. State Government and Agencies are involving Farmers' Co-operatives and Self Help Groups in the process of procurement.

SFAC is involved in MSP operations since Kharif-2013 specifically for pulses and oilseeds. SFAC works exclusively with Farmer Producer Organisations (FPOs) to enable these institutions to act as procurement agents on SFACs behalf at field level. These FPOs procure pulses and oilseeds at MSP from farmers, especially small and marginal farmer at farm gate. SFAC bears the entire cost of procurement and FPOs get a fee for their services.

In order to ensure that there is no distress sale of oilseeds and pulses and to reach the Government machinery to the farmers in the remotest part of the country Government has nominated three other agencies, namely, Central Warehousing Corporation and Small Farmers Agri-Business Consortium (SFAC), in addition to NAFED to undertake procurement operations.

In order to protect the interest of the jute growers and to ensure that the raw jute producers receive Minimum Support Prices (MSP), Jute Corporation of India (JCI), a Public Sector Undertaking under the Ministry of Textiles has been mandated to undertake support price operations for raw jute from farmers at MSP through its Departmental Purchase Centers and State cooperative bodies. The Government of India has ensured that the crop at MSP is purchased by the Jute Corporation of India directly from the growers wherever and whenever market price rules below MSP. The role of the Jute Corporation of India has ensured that there is no distress sale of raw jute.

The Cotton Corporation of India Ltd. (CCI) is the primary agency for undertaking procurement operations of cotton under MSP and losses, if any, incurred by it for MSP operations are reimbursed by the Government. As and when cotton prices of any variety touch the level of MSP, CCI as a Nodal Agency of Government of India, resorts to immediate market intervention and makes purchases of cotton at MSP without any quantitative limits.

[Ministry of Agriculture (Department of Agriculture and Cooperation), F.No. 8-3/2014-FES-ES dated 13 May 2014]

Scaling Up of Warehousing Receipt System

Recommendation (Para No. 9)

Warehouse receipt system is another important measure which will go a long way in curbing distress sale by farmers. The Committee, however, regret to learn that the progress of system of farmers availing advance amounts through warehouse receipt is slow. The Committee are of the view that scaling up this system in a planned manner is a priority area and suggest that necessary action should be taken in this regard. The Committee would also like to know the progress achieved so far and plans for the future.

Reply of the Government

The Negotiable Warehouse Receipts (NWRs) issued by the warehouses registered under the Warehousing (Development and Regulation) Act, 2007 would help farmers in seeking loans from banks against NWRs to avoid distress sale of agricultural produce. The Warehousing Development and Regulatory Authority (WDRA) has also introduced negotiable warehouse receipt system in the small warehouses/

godowns of Primary Agriculture Cooperatives Societies (PACs) so that the small farmers in rural areas may also avail the benefit of loan from banks on NWRs issued by these small warehouses.

The WDRA has registered 390 warehouses till date including PACs godowns and more warehouses would be registered, which shall be issuing negotiable warehouses receipts and the number of farmers availing loan against NWRs will increase. The WDRA is organizing awareness programmes for the farmers on the benefit of negotiable warehouses receipts. All Banks and financial institutions have been requested to extend pledge finance to goods kept in WDRA registered warehouses. The crop loan scheme of cheaper loan to the farmers has been extended to the small and marginal farmers having Kissan Credit Cards.

In order to encourage development of modern warehousing facilities, the Banks have been advised by the Department of Financial Services to consider:—

- (i) Setting internal target for lending against Warehouse Receipts;
- (ii) Better terms for finance against Warehouse Receipts of registered warehouses;
- (iii) Introduction of conditions of registration of Warehouses for financing.

Distress sale by farmers can be curbed through creation of increased storage capacity and providing greater access to the farmers' to finances through appropriate Pledge Finance Schemes without having to sell their produce at the peak harvest season when the prices could be at the lowest. This Department's Integrated Scheme for Agricultural Marketing (ISAM), sub-component of Agricultural Marketing Infrastructure (AMI) also promotes creation of scientific storage capacity (erstwhile scheme of Grameen Bhandaran Yojana). This sub-component aims to create additional 230 lakh tonnes of storage capacity across the country during XII Five Year Plan/2017. With this in view, the erstwhile scheme of GBY has been reformulated (*w.e.f.* 1.4.2014) and assistance is provided under two categories of 25% and 33.33% of project cost. Further, more categories (Registered FPOs, Panchayats, women entrepreneurs under 33% category) and more States (UTs of Andaman and Nicobar and Lakshadweep islands under the 33% category) have been made eligible for assistance. Additionally, stand-alone silos have also been made eligible for assistance.

In order to discourage distress sale by farmers and to encourage them to store their produce in warehouses against warehouse receipts,

benefit of applicable interest subvention schemes is available to banks for extending credit support to small and marginal farmers having Kisan Credit Card against Negotiable Warehouse Receipt (NWR) for keeping their produce in warehouses. Additionally several pledge finance schemes are operational in different States which may be availed by farmers against their produce.

[Ministry of Agriculture (Department of Agriculture and Cooperation), F.No.8-3/2014-FES-ES dated 13 May, 2014]

Reforming Agricultural Produce Marketing (Development and Regulation) Act, 2003

Recommendation (Para No. 10)

The Committee note that alternate channels of marketing would enable farmers to sell their produce for optimum returns. The Model State Agricultural Produce Marketing (Development and Regulation) Act, 2003 (APMC Act) advocates, among other things, provision of direct purchase of agricultural produce from farmers by processors/bulk retailers/wholesalers/exporters nearer the farm gate. So far, only 16 State Governments have reportedly amended their APMC Acts providing for direct marketing, contract farming, etc. The Committee desire that the DAC should actively pursue with the remaining State Governments and ensure that APMC Acts are reformed at the earliest and the farmers are protected from exploitation by middle men.

Reply of the Government

APMC reforms are critical to the development of agriculture market. Agriculture Marketing is a State subject. Some of the initiatives by the Department include:—

- (i) A model Agricultural Produce Marketing Committee (Development and Regulation) (APMC) Act in 2003 and Model Rules in 2007 for adoption by the States.
- (ii) Further, in order to encourage the States to undertake reform of their agri marketing regulations, assistance to the State Agencies for creation of marketing infrastructure (except storage) under this department's scheme of Agricultural Marketing Infrastructure (AMI) has been tied up to the action taken by them to reform their agri marketing sector to allow competitive marketing channels such as Direct marketing and

Contract farming and permit setting up of markets in private and cooperative sector.

- (iii) Over and above the three conditionalities stated at (ii) above, an additional rider imposed in 2010 for eligibility for assistance for creation of infrastructure under the department schemes was waiver of market fees on perishable horticultural products. This is a measure to encourage alternate marketing channels to come up outside the APMC market yard for quick transaction in these perishable commodities.
- (iv) Further, the e-market platform as implemented by Karnataka is seen as a solution to issues of transparency and market barriers. This department plans to pursue this marketing platform individually with each State.
- (v) A Committee of State Ministers in charge of Agriculture Marketing was set up in 2010 to look into promotion of reforms. The Committee submitted its report in July, 2013 which has been circulated to States to elicit their views and take necessary action. The main recommendations of the Committee were forwarded to State Governments for amending their APMC Acts accordingly.
- (vi) A proposal has been sent to 14th Finance Commission in April, 2013 to link devolution of additional funds with marketing reforms (to disincentivise the States from announcing bonus over MSP and levying mandi taxes on procurement, thereby increasing financial burden on exchequer).

[Ministry of Agriculture (Department of Agriculture and Cooperation), F.No. 8-3/2014-FES-ES dated 13 May, 2014]

Countervailing Duty on Palm Imports

Recommendation (Para No. 11)

The Committee have been informed that the prices received by palm oil growers have dropped by 30% over the past two years, making the domestic palm oil production unviable due to increasing dependence on import at very low prices. It has been stated that about 50% of our total consumption of edible oils come from imports and as a result of fall in global prices and low level of import duty (2.5% for crude palm oil and 7.5% for refined palm oil), stocks of palm oil are unloaded in

our country jeopardizing the interests of domestic growers. The Committee are concerned to note that this phenomenon has long-term implications for the entire edible oil security of the country. It has been pleaded before the Committee that there should be counter-cyclical duty at rates which would make the landed cost of palm oil is at least Rs. 65.00 per quintal so that the domestic cultivation becomes viable. Similar problem is also faced in import of pulses accounting for 3 million tonnes at a price lower than the MSP. The Committee are at a loss to understand why the Deptt. of Revenue and the Ministry of Commerce have not taken necessary steps to protect the interests of farmers and ensure that edible oil security of the country is not adversely affected. The Committee would urge the Deptt. of Revenue to put in place a dynamic counter-vailing duty structure in this regard without further delay, under intimation to the Committee.

Reply of the Government

This Department had submitted a proposal to put in place a duty structure wherein rate of import duty varies with international edible oil prices in a counter- cyclical manner with a view to stabilize domestic prices of edible oils. However, while it was felt by the Government that this could be a desirable objective in the long term, in view of the prevailing high food inflation and likely price rise due to the proposed structure, this could be considered at a more appropriate time. Nevertheless, proposal for raising the import duty rate on refined edible oils from present level of 7.5% to 10% was approved on 9th January, 2014.

Similarly, Department had written to Department of Revenue to impose import duty of 20-30% on pulses in December, 2013 and July, 2013. However, the proposal was also not agreed to in view of price implication. The Department of Commerce has allowed the export of pulses subject to import of equivalent quantity of raw pulses to promote the value addition of pulses in the country *w.e.f.* November, 2013.

[Ministry of Agriculture (Department of Agriculture and Cooperation), F.No. 8-3/2014-FES-ES dated 13 May, 2014]

Drastic Reduction in Number of Procurement Centers Operated by Jute Corporation of India (JCI) and its Manpower

Recommendation (Para No. 13)

One of the objectives of creation of the Jute Corporation of India (JCI) is procurement of Jute. The Committee learn that the number of procurement centres operated by JCI has come down by 50 per cent and

that there has been drastic reduction in the manpower of JCI. Considering the importance of Jute procurement for the lives of jute growers particularly in the States of West Bengal, Bihar, Orissa, Assam and Andhra Pradesh, the Committee desire that the JCI operations should be strengthened with adequate manpower and increase in the number of procurement centres.

Reply of the Government

The Jute Corporation of India (JCI) at present is having operations in 171 centers consisting of 16 Regional Offices, 143 DPCs and 28 Sub-Centers. In order to rationalize its manpower, JCI had stopped recruitment since 1991. Therefore, on account of natural attrition, the manpower is coming down every year. In order to increase efficiency of JCI, a study has been conducted to prepare a strategic plan on HRD and business with the aim to review, restructure and revamp the existing organization's structure.

[Ministry of Agriculture (Department of Agriculture and Cooperation), F.No. 8-3/2014-FES-ES dated 13 May, 2014]

Comments of the Committee

For comments of the Committee please refer to Para No. 1.22 of Chapter I of this Report.

Re-orienting Market Intervention Scheme

Recommendation (Para No. 14)

The Market Intervention Scheme (MIS) is implemented to protect the growers of agricultural and horticultural commodities (those not covered under MSP) from making distress sale in the event of bumper crop when the prices fall below the cost of production. It has been stated that MIS is a very difficult operation to implement and the machinery for procurement does not exist. MIS is implemented only on the specific request of State/UT willing to share the loss with Central Government on 50:50 basis (25:75 in case of NE States). Admittedly, States are reluctant to do that. All this indicates that MIS has not achieved its mandate. The Committee feel that if the objective of protecting farmers from distress sale is to be achieved, the MIS must be re-oriented and broad based with well prepared machinery ever ready to undertake the task at very short notice. DAC should chalk out the ways and means to achieve this. The Committee would also suggest that the cost sharing between States and the Centre should be such that the latter does not feel the burden. For

instance the ratio could be 25:75 between States and the centre and 10:90 in the case of NE States.

Reply of the Government

The MIS is implemented on all India basis for procurement of various agricultural and horticulture commodities which are generally perishable in nature and not covered under Price Support Scheme (PSS). During the last ten years, MIS has been implemented in 14 States for than 20 commodities. This clearly indicates the positive response of various State Governments in implementing the MIS scheme, as and when need arises. However, the recommendations of Committee have been noted for consideration at the time of review of existing guidelines.

[Ministry of Agriculture (Department of Agriculture and Cooperation), F.No. 8-3/2014-FES-ES dated 13 May, 2014]

MGNREGA and its Impact on Various Agricultural Operations

(Recommendation Para No. 15)

According to the findings of a study conducted by the Agro Economic Centres and the Institute of Social and Economic Change, Bengaluru, the implementation of Mahatma Gandhi National Rural Employment Act (MGNREGA) has impacted the availability of labour for critical agricultural operations like sowing and harvesting. The Committee note that in order to tackle this problem, MGNREGA guidelines of May 2012 have included activities having significant impact on agriculture such as provision of irrigation facility, dug out farm pond, farm bunding and land development, etc. as eligible activities under MGNREGA. One beneficial fallout of the aforesaid problem appears to be the increasing mechanization of farm activities which would hopefully bring about desired transformation of agricultural operations. The Committee feel that it is high time that an objective assessment is undertaken of the impact of MGNREGA on various aspects of agricultural operations and take such remedial measures as may be necessary to overcome the adverse impact, if any.

Reply of the Government

With the objective of expanding and deepening the positive synergy between MGNREGA and agriculture, especially in the context of small and marginal farmers, Ministry in MGNREGA operational guidelines 2013 has included new works under MGNREGA. The Ministry of Rural Development has engaged Institutions like Indian Institutes of

Management (IIMs), Indian Institutes of Technology (IITs), National Institute of Rural Development (NIRD), National Sample Survey organization (NSSO) and other professional institutions to conduct studies and surveys on the implementation of Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA). Some major findings of Research studies conducted to evaluate the impact of Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) are given below:—

- i. Increase in Agriculture Minimum Wages and wage earned per day due to impact of MGNREGA has given a bargaining power to the labour (IIM Lucknow, NDUAT Faizabad).
- ii. Reduction in distress migration: Studies report reduction in distress migration (Council for Social Development, Centre for Science and Environment, Indian Institute of Management, Shillong).
- iii. Creation of “Green Jobs”: Nearly 70% works relate to water conservation, water-harvesting, restoration, renovation and desilting of water bodies, drought-proofing, plantation and afforestation (Indian Institute of Science, Bangalore and IIFM, Bhopal).
- iv. Improvement in groundwater, improved agricultural productivity and cropping intensity, mono crop to two crops (Administrative Staff College of India (ASCI)).
- v. Reduction in water vulnerability index, agriculture vulnerability, livelihood vulnerability index (Indian Institute of Science, Bangalore).

In order to promote agricultural growth and thereby boost the rural economy by the following works has also been included in the approved list:—

- i. Community Storage facilities for the agricultural produce.
- ii. Creation of ‘Farmnet’ roads that link rural production centres with PMGSY roads,
- iii. Works for preparation of organic fertilizers to make available affordable and organic fertilizers in the village itself.

- iv. Comprehensive watershed-based treatment of undulating lands to make them productive irrespective of the size of the landholding.
- v. Removing restrictions on maintenances of irrigation tanks/canals/drains to keep them in good shape at all times.

Recommendations of Committee have been noted for conducting a further study on the subject.

[Ministry of Agriculture (Department of Agriculture and Cooperation), F.No. 8-3/2014-FES-ES dated 13 May, 2014]

CHAPTER III

OBSERVATIONS/RECOMMENDATIONS WHICH THE COMMITTEE
DO NOT DESIRE TO PURSUE IN VIEW OF THE
GOVERNMENT'S REPLIES

- NIL -

CHAPTER IV

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Moving Towards Remunerative Pricing Mechanism

Recommendation (Para No. 1)

Minimum Support Price (MSP) fixed by the Government Acts as the floor price of an agricultural commodity and safeguards the interests of farmers. Presently, 24 crops are covered under MSP and only one crop *viz.* sugarcane is covered under Fair and Remunerative Price (FRP) mechanism. The Committee have been informed that no specific profit margin over cost of production is considered by the CACP. Since, agriculture is becoming unremunerative particularly for small and marginal farmers due to variety of reasons, the Committee feel that the Government should move towards remunerative pricing mechanism for all the 24 crops. The Committee do not agree with the view of DAC that prescribing an increase of 50% on cost of production as recommended by the National Commission on Farmers headed by Prof. M.S. Swaminathan may distort the market. What is paramount is the livelihood of farmers. Distortion, if any, in market on account of remunerative pricing of agricultural produce must be suitably addressed. The Committee urge that steps should be taken to fix remunerative pricing with 50% profit margin over cost of production, for all the 24 crops without any further delay as already recommended by this Committee in their Forty-first Report (14th Lok Sabha) in the year 2007-08.

Reply of the Government

Minimum Support Prices (MSPs) are fixed by the Government on the recommendations of Commission for Agricultural Costs and Price (CACP) which considers a number of important factors while recommending MSPs, the views of State Governments and Central Ministries as well as such other relevant factors

which are considered important for fixation of support prices. MSP fixed by the Government is in the nature of minimum guaranteed price offered by the Government. In case the market offers higher price than the MSP, the farmers are free to sell at that higher price.

As of now, the Commission for Agricultural Costs and Prices (CACP) recommends MSP of 22 commodities, besides recommending Fair and Remunerative Price (FRP) of sugarcane. While recommending MSP/FRP, various factors including demand and supply; cost of production; price trends in the market, both domestic and international; inter-crop price parity; terms of trade between agriculture and non-agriculture; and likely implications of MSP on consumers of that product are kept in view. It may be pertinent to point out that MSP is a pricing policy and should not be the main instrument of achieving the objective of equity/income.

CACP, which is an independent body of experts considers, among other factors, the costs of production of various crops for all the major producing States, as collected by different State Agricultural Universities under the Comprehensive Scheme for the Study of Cost of Cultivation of Ministry of Agriculture. The sample size is as large as 8,400 holdings. The sample covers the different regions of the country. Thus, CACP considers the cost of production of crops in different States, while recommending the MSPs. The Commission also considers the costs data as submitted by State Governments. The estimates of cost of cultivation/production in respect of the major producing States of a particular crop covered under the scheme are taken into consideration for arriving at a weighted all India average cost of cultivation/production.

The National Commission on Farmers had recommended that the MSP should be at least 50% more than the weighted average cost of production. This recommendation, however, has not been accepted by the Government because MSP is recommended by CACP based on objective criteria and considering variety of relevant factors. Hence, prescribing a mechanical increase of 50% on cost may distort the market and prove to be counterproductive by encouraging inefficient production and would go against the principle of comparative advantage in producing specific crops. One of the aims of fixing MSPs is to promote its production in regions where such production is most efficient. Fixing of MSPs on cost plus

basis would discourage efficiency in the agriculture sector and negate our efforts to bring down cost of cultivation.

[Ministry of Agriculture (Department of Agriculture and Cooperation), F.No. 8-3/2014-FES-ES dated 13 May, 2014]

Comments of the Committee

For comments of the Committee please refer to Para No. 1.7 of Chapter I of this Report.

Differential Minimum Support Price Region Wise

Recommendation (Para No. 2)

Although cost of cultivation of each crop widely varies from region to region, regrettably, MSP is uniform for a single crop for the whole country. According to the Department of Agriculture and Cooperation (DAC), fixing different MSPs (region-wise MSP) for the same crop may neither be practical nor desirable and would defeat the aim of promoting cultivation of crops best suited to a region with maximum competitive advantage. Another reason advanced against differential MSP is that it would lead to movement of agricultural produce to the region having highest MSP, thereby negating the very purpose of differential MSP. The Committee feel that if the country is to sustain self-sufficiency in production, competitive advantage alone cannot be criterion for promotion of crops. In Committee's view, region-wise MSP pre-supposes enforcement of appropriate restrictions by respective regions. The Committee, therefore, desire that steps should be taken in a time-bound manner to fix region-wise MSP, initially on experimental basis and its continuation or otherwise decided on the basis of results of the experiment.

Reply of the Government

The mandate of the Commission for Agricultural Costs and Prices (CACP) is to recommend uniform MSP for any given crop for the entire country. The cost of production (CoP) is one of the factors that is taken into account while recommending MSP. The Commission is conscious of the fact that CoP varies from State to State, region to region, district to district, village to village and even farm to farm. When all India weighted average cost is factored into MSP, some of the farmers may have higher CoP than the All India weighted

average, while others may have lower than the all India weighted average cost. This methodology is time tested and is being applied for almost five decades now. The Commission is of the considered opinion that there is no justification for introducing region-wise MSP.

[Ministry of Agriculture (Department of Agriculture and Cooperation), F.No. 8-3/2014-FES-ES dated 13 May, 2014]

Comments of the Committee

For comments of the Committee please refer to Para No. 1.10 of Chapter I of this Report.

Restructuring of Composition of Commission for Agricultural Costs and Prices

Recommendation (Para No. 6)

The Committee note that CACP has only two non-official members representing the farming community. The Committee desire that the composition of CACP should be broad based to include at least four non-official members representing the farming community from all the four regions of the country to enable them to have their say in the CACP. Further, there should be transparency in the appointment of non-official members of the CACP.

Reply of the Government

The CACP has a Chairman, Member (Official), two Non-Official Members (Farmers Representatives) and a Member Secretary.

The post of Chairman is vacant since 01.03.2014 and Member is holding the charge at present. The Chairman and Members of CACP are appointed on the basis of recommendation of a Committee constituted as per instructions of Department of Personnel and Training (DOPT) duly approved by the Appointments Committee of Cabinet (ACC).

Before, recommending the MSP to the Government the Commission invites the views of the State Governments through a questionnaire as well as holds meetings with the stakeholders like FCI, Department of Consumer Affairs, Agriculture Commissioner (DAC), Indian Institute of

Pulses Research (UP), Central Rice Research Institute (Odisha), Directorate of Sorghum Research, (AP), Rice Millers Association (Haryana), Indian Oilseeds and Produce Export Promotion Council (Mumbai), Farmer's Association, Fertilizer Association of India, NAFED, etc. Farmers are also invited to know their views on the price policy. CACP is already equipped with experts from the statistical and economic services in the field.

[Ministry of Agriculture (Department of Agriculture and Cooperation), F.No. 8-3/2014-FES-ES dated 13 May, 2014]

Comments of the Committee

For comments of the Committee please refer to Para No. 1.16 of Chapter I of this Report.

Announcing MSP Before Sowing Season

Recommendation (Para No. 7)

Timely announcement of MSP ahead of the sowing season *i.e.* by 1st June for kharif crops and by 1st November for rabi crops would enable farmers to decide about the type and quantum of crops to cultivate during the season. Admittedly, there had been delays in announcement of MSP in the past though there is stated to be improvement in this regard in recent years. Despite timely submission of reports by CACP, the delay reportedly takes place, due to time taken in consultation with various Ministries at the Centre and the State Governments. The Committee hope that considering the importance of timely announcement of MSP to the farming community, the Government will ensure in future that there is no delay whatsoever in this regard.

Reply of the Government

There is wide variation in the sowing season of various crops varies in a vast country like India. The sowing season for kharif crops is generally between May-August and for rabi between October-December. Sometimes there is a delay in announcement of MSP due to time taken in with consultation with various Ministries/Departments in the Central Government namely Ministry of Finance, Ministry of Food, Public Distribution and Consumer Affairs, Planning Commission, Department of Commerce, Ministry of Textiles, etc. In addition, the views of State Governments on the recommendations of CACP are also sought before

the finalization of MSPs. The MSPs are invariably announced before the harvest season.

[Ministry of Agriculture (Department of Agriculture and Cooperation), F.No. 8-3/2014-FES-ES dated 13 May, 2014]

Comments of the Committee

For comments of the Committee please refer to Para No. 1.19 of Chapter I of this Report.

CHAPTER V

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF THE GOVERNMENT ARE STILL AWAITED

Correcting Weaknesses in Minimum Support Price

Recommendation (Para No. 4)

The estimates of costs of production used by the CACP suffer on account of small sample size, outdated data and poor quality of collection. The sample size is as small as 8,400 holdings. The CACP report is based on outdated data due to time lag of two to three years between the time of collection of data and finalization of report by CACP. Further, according to a former Chairman of the CACP, the methods of data collection and cost calculation by some State Agricultural Universities are questionable. There is a need to broad-base the data, broad-base the machinery and bridge the time gap to make the basis of MSP realistic. The Committee desire that immediate action be taken to address the aforesaid shortcomings and ensure that CACP's exercise of fixing MSP is meaningful.

Reply of the Government

From time to time, expert committees were constituted to revise the methodology and system of calculation of the cost of cultivation/production of agricultural produce, to arrive at MSPs. In May 2003, Government had set up an Expert Committee under the Chairmanship of Prof. Y.K. Alagh to examine the methodological issues in fixation of MSP. On its recommendations, the premium actually paid by farmers for crop insurance and marketing and transport charges incurred by farmers have also been included as items of cost for recommending MSP.

The Government has constituted a Committee under the chairmanship of Director, National Centre for Agricultural Economics and Policy Research in the month of April, 2013, to examine the methodological issues in fixing Minimum Support Prices.

The terms of reference of the Committee are;

- (1) Examination of the existing mandate of the Commission for Agricultural Costs and Price and to suggest whether—by way of a measure of response to the rapidly changing external environment arising in the wake of liberalization, privatization and globalization—there is need to reposition the Commission in terms of its mandate and remit.
- (2) Examination of the existing cost concepts for the purpose of fixing of MSP and suggest various factors including transportation, marketing, processing, storage etc. to determine MSP. Besides the Committee may also analyse the appropriateness of existing methods followed in imputing the value (i) family labour, (ii) rental value of land, (iii) interest of capital (iv) depreciation on fixed items such as tractors, bullocks etc. and recommend measures for improvement so as to make them more realistic.
- (3) Examination of the existing structure of tariff, taxes, credit, market etc. and to suggest various measures to make it most competitive and remunerative to the farmers in the wake of trade liberalization and globalization and also to encourage diversified agricultural growth.
- (4) To examine any other related and relevant matters that are important for improving the system.

The Committee has been requested to submit the report as early as possible.

[Ministry of Agriculture (Department of Agriculture and Cooperation), F.No. 8-3/2014-FES-ES dated 13 May, 2014]

Reviewing Ramesh Chand Committee on Minimum Support Price

Recommendation (Para No. 5)

Incidentally, the Committee have been informed that a Committee under the Chairmanship of Dr. Ramesh Chand, Director, National Centre for Agricultural Economics and Policy Research (NCAP) has been set up to review the methodology and mandate of CACP *vis-à-vis* cost of cultivation study. The Committee hope that the Ramesh Chand Committee

will examine the shortcomings in the present system of MSP calculation and complete its tasks expeditiously under intimation to this Committee.

Reply of the Government

The Committee has already held three meetings and issues are being examined as per its terms of reference. The Parliamentary Committee will be informed as and when the report under reference is received.

[Ministry of Agriculture (Department of Agriculture and Cooperation), F.No. 8-3/2014-FES-ES dated 13 May, 2014]

Resolving Cane Prices Arrears Issue

Recommendation (Para No. 12)

The Rangarajan Committee which looked into the issue of difference in pricing of sugarcane as fixed by the CACP *vis-à-vis* State Government of Uttar Pradesh reportedly emphasized the need to rationalize the pricing of sugarcane and that there should be a sharing of revenues/value created in the sugarcane value chain between the farmers and the millers in a fair and equitable manner. In pursuance of this recommendation and having looked into the problems of the sugar industry, the Government is stated to have extended an interest free loan of about Rs. 6,600 cr. for making loan cane payment and cane price arrear payment. The Committee note that cane price arrears for the year 2012-13 was as much as Rs. 2177 cr. in Uttar Pradesh as on 15.12.2013. The Committee hope that the cane Commissioner would monitor the payment and ensure that issues are resolved at the earliest.

Reply of the Government

Pursuant to the decision of Cabinet Committee on Economic Affairs (CCEA), the recommendation of Dr. C. Rangarajan Committee regarding rationalization of sugarcane pricing policy has been referred to the State Governments for adoption and implementation, as considered appropriate by them. The recommendation of Dr. Rangarajan Committee to link the sugarcane price with the sugar price is yet to be accepted by most of the States.

Arbitrary fixation of Cane Price over and above the Fair and Remunerative Price of Sugarcane fixed by the Government is adversely affecting the sugar mills financially. In view of excess opening stock and

good production of sugar this year, the sugar prices were subdued and there were huge cane price arrears. To facilitate clearance of cane price arrears of previous sugar seasons and timely settlement of cane price of current sugar season to sugarcane farmers, the Government on 3.1.2014 has notified a Scheme for Extending Financial assistance to Sugar Undertakings (SEFASU-2014) envisaging interest free loans worth Rs. 6600 crore by bank as additional working capital to sugar mills. Further, the Government on 28.2.2014 has notified another scheme allowing incentives for marketing and promotion services for raw sugar production targeted for export market for a quantity of 40 lakh MT during 2013-14 and 2014-15 sugar seasons. The incentive available under the Scheme shall be utilized by the sugar mills for making payment to the farmers. Implementation of both the scheme shall be monitored by the Cane Commissioners of respective States. As on 31.1.2014, the cane price arrears for the year 2012-13 in Uttar Pradesh has been reduced to Rs. 973 crore.

[Ministry of Agriculture (Department of Agriculture and Cooperation), F.No. 8-3/2014-FES-ES dated 13 May, 2014]

NEW DELHI;
21 April, 2015

01 Vaisakha, 1937 (Saka)

HUKM DEO NARAYAN YADAV,
Chairperson,
Committee on Agriculture.

COMMITTEE ON AGRICULTURE
(2014-15)

MINUTES OF THE TWENTY SECOND SITTING
OF THE COMMITTEE

The Committee sat on Wednesday, the 15th April, 2015 from 1500 hrs. to 1750 hrs. in Committee Room 'E' (Basement), Parliament House Annexe, New Delhi.

PRESENT

Shri Hukm Deo Narayan Yadav — *Chairperson*

MEMBERS

Lok Sabha

2. Md. Badaruddoza Khan
3. Dr. Tapas Mandal
4. Shri Janardhan Mishra
5. Shri Dalpat Singh Paraste
6. Shri Mukesh Rajput
7. Shri Konakalla Narayana Rao
8. Shri Satya Pal Singh
9. Shri Virendra Singh

Rajya Sabha

10. Shrimati Renuka Chowdhury
11. Sardar Sukhdev Singh Dhindsa
12. Shri Janardan Dwivedi
13. Shri Vinay Katiyar

14. Shri Mohd. Ali Khan
15. Shri Rajpal Singh Saini
16. Shri Ram Nath Thakur
17. Shri Shankarbhai N. Vegad
18. Shri Darshan Singh Yadav

SECRETARIAT

1. Shri Abhijit Kumar — *Joint Secretary*
2. Smt. Abha Singh Yaduvanshi — *Director*
3. Shri C. Vanlalruata — *Deputy Secretary*

2. At the outset, Chairperson welcomed the Members to the Sitting of the Committee. Then, the Committee took up for consideration of the Memorandum No. 6 pertaining to the draft Report on the Action Taken by the Government on the Observations/Recommendations contained in the 60th Report (15th Lok Sabha) of the Committee on Agriculture (2013-14) on 'Pricing of Agricultural Produce' of the Ministry of Agriculture (Department of Agriculture and Cooperation) alongwith Action Taken Notes as received from the Ministry. After some deliberations, the Committee approved the categorization of action taken replies as shown in the Memoranda and adopted the draft Report without any modification. They authorized the Chairperson to finalise and present this Report to Parliament after getting it factually verified from the concerned Department.

*3. ***	***	***	***	***
*4. ***	***	***	***	***
*5. ***	***	***	***	***

The Committee, then, adjourned.

* Matter not related to this Report.

APPENDIX

(Vide Para 4 of Introduction of the Report)

ANALYSIS OF ACTION TAKEN BY GOVERNMENT ON THE SIXTIETH REPORT OF COMMITTEE ON AGRICULTURE (2013-14) ON 'PRICING OF AGRICULTURAL PRODUCE' OF THE MINISTRY OF AGRICULTURE (DEPARTMENT OF AGRICULTURE AND COOPERATION)

- | | | |
|-------|--|---------------------------------|
| (i) | Total number of Recommendations | 15 |
| (ii) | Recommendations/Observations which have been Accepted by the Government: | |
| | Para Nos. 3, 8, 9, 10, 11, 13, 14, 15 | |
| | | Total : 08
Percentage 53.33% |
| (iii) | Recommendations/Observations which the Committee Do not desire to pursue in view of the Government's replies | |
| | Para No. Nil | |
| | | Total : NIL
Percentage 00% |
| (iv) | Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee | |
| | Para Nos. 1, 2, 6, 7 | |
| | | Total : 04
Percentage 26.67% |
| (v) | Recommendations/Observations in respect of which Final replies of the Government are still awaited | |
| | Para Nos. 4, 5, 12 | |
| | | Total : 03
Percentage 20.00% |

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The Souvenir Items with logo of Parliament are also available at Sales Counter, Reception, Parliament House, New Delhi. The Souvenir items with Parliament Museum logo are available for sale at Souvenir Shop (Tel. No. 23035323), Parliament Museum, Parliament Library Building, New Delhi. List of these items are available on the website mentioned above.”
