

**GOVERNMENT OF INDIA  
AGRICULTURE  
LOK SABHA**

UNSTARRED QUESTION NO:3022  
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STATUTORY STATUS FOR CACP  
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**Will the Minister of AGRICULTURE be pleased to state:**

- (a) whether the Prof. Y.K. Alagh Committee has recommended for statutory status to the Commission on Agricultural Costs and Prices (CACP);
- (b) if so, the details thereof alongwith the other recommendations made by the Committee; and
- (c) the follow up action taken thereon?

**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): The Expert Committee headed by Prof. Y.K. Alagh Constituted to Examine Methodological Issues in Fixing Minimum Support Price (MSP) has recommended that a statutory status be assigned to CACP, which has not been accepted by the Government.

(b): It has been recorded by the Committee that "Considering the increasing tendency of political-economic compulsions outweighing the rational choices in the matter of MSPs, there is a case in assigning statutory status to CACP and also to MSP. The High Power Committee on Long Term Grain Policy (Sen, 2002) had also recommended for assigning statutory status to CACP and to the MSPs recommended by it."

Other recommendations made by the committee are as follows:

1. The Terms of Reference of CACP should be revised as follows:

(i) To advise on price policy of cereals, pulses, oilseeds, fiber crops and such other commodities as the government may indicate from time to time with a view to evolving a balanced and integrated price structure for the agricultural sector in the perspective of overall needs of the economy and with due regard to the interests of the farmers and the consumers;

(ii) To advise from time to time on the tariff structure and other measures relating to imports and exports of agricultural commodities and their processed products.

(iii) While recommending the agricultural price policy and trade related measures, the commission may keep in view the following.

(a) The need to provide incentives to the farmers for adopting improved technology and for developing a production pattern broadly in the light of demand pattern including that for exports.

(b) The need to ensure food security both at macro and household level

(c) The need to ensure sustainable use of land, water and other natural resources.

(d) The likely effect of the price policy on the rest of the economy, particularly on the cost of living, level of wages, cost structure of agro- based products, and competitiveness of agriculture and agro-based commodities.

(iv) The Commission may also suggest such non-price measures related to credit policy, crop and income insurance and other sectors as would facilitate the achievements of the objectives set out in

(i) above.

(v) To recommend from time to time, in respect of different agricultural commodities, measures necessary to make the price and tariff policy effective.

(vi) To take into account the changes in terms of trade between agricultural and non-agricultural sectors.

(vii) To examine, where necessary, the structure of taxes, levies and transport costs of agricultural commodities and recommend measures as would facilitate the achievements of the objectives set out in

(i) above.

(viii) To keep under review the developing price situation and to make appropriate recommendations, as and when necessary, within the framework of the overall price policy.

(ix) To undertake studies in respect of different crops as may be prescribed by Government from time to time.

(x) To keep under review studies relating to the price policy and arrangements for collection of information regarding agricultural prices and other related data and suggest improvements in the same, and to organize research studies in the field of price policy.

(xi) To advise on any problems relating to agricultural prices and production that may be referred to it by Government from time to time.

(xii) To effectively integrate these measures with its pricing recommendations and to show to the extent possible, with numbers and monetary calculations the extent of such integration in meeting the cost requirements of a competitive agriculture.

2. The trade policy objectives and the level of MSPs should be integrated. The CACP should be repositioned and emphasis should be laid not only on cost but also on issues such as tariffs, credit policies, market trends, market structure and broad macro economic policy to meet new challenges so that it can play a vibrant and dynamic role in consonance with domestic and global changes. Besides, CACP should put in place a system of preparing periodical reports, preferably quarterly or biannually on 'State of Indian Agriculture: Its competitiveness'.

3. The CACP should continue to monitor complementary system of trade, tariff, rural credit and marketing and related policy environment and incorporate its recommendations in the price policy reports submitted to the Government from time to time.

4. A roadmap for principal crops not based on historical costs but opportunity costs at the margin be developed so that technological progress and India's competitive advantage such as bright sunshine and cheap labour are given a free reign to play.

5. A variant of the principle of Long Range Marginal Cost, adopted for the reform of industrial pricing in India and currently used for fertilizer pricing as recommended first by the CERC for power pricing, should be considered for analysis and development pricing and economic policies in the Road Map for agriculture. The farmer must be given incentive of pricing and non-pricing nature to internalize these costs in a transitional regime for a well-defined and limited period. Higher level policies of support have to be implemented to meet the costs of a competitive agriculture in the medium term of three to five years.

6. Valuation of family labour should be based on the actual market rate for casual labour.

7. The rate of interest which is actually paid by farmers (and not nominal rate of interest) on credit should be taken into account by DES while estimating the cost of production.

8. The CACP and DES should jointly conduct a study to ascertain the actual spread of expenditure vis-à-vis borrowings during the crop season.

9. Data on premium actually paid by farmers for crop insurance should be regularly collected and be included in the cost estimates.

10. In a trade-dominated economy, the opportunity cost of resources is determined in theory by the working of competitive forces. The argument for ignoring land rent does not exist any more in a WTO policy led system. In an era of market led growth, it would be most appropriate to consider rent as it prevails in the market.

11. Estimates of marketing and transport charges incurred by farmers should be generated at least once in three years and CACP should take these into consideration while formulating its recommendations on MSPs.

12. The DES should take necessary steps to replace the existing software with a new one with latest features so that full potential of the data collected under the CS Scheme is exploited. Once new software is put in place, it would also enable DES to switch over from normative rate of interest to actual rate of interest paid by farmers.

13. The Committee is of view that the data collected under CS Scheme are of fairly good quality and it will not be statistically sound to blend the yield rates from any other source with the data collected under the Scheme. Therefore, the existing practice of deriving the yield rate from the CS Scheme should continue.

14. A Technical Committee, comprising officers from DEA, CACP, NSSO and IASRI be constituted to look into the relevance of the existing Survey Schedule for Cost Studies and modify it, if necessary.

15. For continued cooperation of sample farmers under CS Scheme, innovative methods of encouragement such as award of recognition certificates and token gifts for family members of respondent farmers should be put in place.

16. DES should explore the possibility of expanding the crop coverage to certain fruits and vegetables such as tomato, cauliflower, cabbage, ginger, turmeric, apple, pineapple, mango, banana, grapes and citrus fruits (potato and onion are already under the Scheme) and build up strong and sound data base on cost of cultivation/cost of production of these horticultural crops.

17. The need for undertaking in-depth quantitative analysis and also, building sound in-house data is strongly felt. To strengthen analytical work in the CACP, the statistical wing and also trade and tariff wing in CACP at various levels be strengthened to cater to

the multi-fold functions of the Commission in the emerging scenario. Also CACP should have adequate financial resources to conduct field studies including selective visits abroad.

18. The CACP should consider quality aspects in its price and non-price recommendations while recommending the level of MSPs for various commodities to induce farmers to produce better varieties of commodities covered under the MSP regime and to integrate policy with the market economy.

19. For effective implementation of MSP policy in all parts of the country, FCI, NAFED, CCI & JCI should be restructured so that price support operations become effective in all parts of the country and do not remain confined to a few selected regions.

20. For effective implementation of price policy, responsibilities of national nodal agencies and concerned state governments in the matter of advance planning and implementation of price support policy should be clearly delineated.

21. Import of edible oils to India has been progressively increasing, especially during post-1995 period. Its percentage to domestic production was as high as 95% during 2002-03. The data on wholesale prices of oilseeds indicates that the terms of trade have been moving against the edible oil sector. The tariff rates on edible oils should be revised upwards for sustaining the assurance of Minimum Support Prices to oilseed growers.

22. There are distortions in cotton trade. There are issues of supply of cotton to the textile industry in a phase in which quotas have been abolished. These are important. Policy can be designed to establish a level playing field between highly subsidized imported and domestic cotton for the Indian yarn manufacturer. This can consist of automatic setoffs for the producer. The Committee recommends that additional protection in the form of reasonable level of tariffs be applied on cotton.

23. APMC Act be amended so as to increase the involvement of private sector in development of marketing infrastructure.

24. A massive campaign of publicising the benefits of amendments in state APMC Acts and sensitization of key stakeholders (farmers, traders, processors, consumers and PRIs) should be launched by the Government of India.

25. The Producers Company legislation now on the statute book provides an important method of strengthening farmer groups to take advantage of strategic alliances for growth

26. The Commodity exchanges should be promoted in various parts of the country.

27. The CACP may consider using the NCDEX and other networks for informed analysis and as a policy instrument in its working.

28. Though India's software achievements are remarkable, yet rural India is unconnected. There is an urgent need that IT must bloom in the fields. For a wider spatial coverage to generate useful database and information packages to enable farmers to take right decision at right time, there is a need to extensively promote IT in agricultural marketing.

29. The Committee is of the considered opinion that if recommendations of different Committees on rural credit are implemented, it would help Indian agriculture sector become more competitive in the global market. The Committee endorses these recommendations and suggests for its implementation in a definite time frame.

30. The Committee recommends that CACP should continue to monitor the complementary systems of trade, tariff, rural credit and marketing, insurance and related policy environment and incorporate its recommendations in the price policy reports submitted to the Government from time to time. The committee has in a counterfactual below shown that achievable targets in instruments like tariffs, taxes, reduced effective interest rates and better marketing support can be integrated with pricing recommendations which are alternates with MSP increases. These should become the standard practice. This integration would be market friendly and WTO compatible in the sense that it would not show in Aggregate Measure of Support (AMS) calculations and would serve the purpose of policy. The Committee also recommends that this should be specifically incorporated in the revised ToR of CACP.

31. The Committee recommends that trade policy objectives and the level of MSPs be integrated. The Committee has analysed the efficiency shifters with which Indian agriculture can move from a subsistence low yielding activity to a dynamic competitive sector capitalizing on the advantage of a peasantry which has historically proved its enduring and hard working nature and the sunshine with which the nation is endowed. Now is the time to move to a dynamic trading agriculture competing with the rest of the world. Unfortunately, the global agricultural market is highly distorted and phasing of the reforms has to be consistent with the changes in the world markets. India has assumed a leading role after Cancun round of negotiation. This would determine phasing and volume of tariff levels. But the policies for enhancing the competitiveness of Indian Agriculture have to be implemented with a sense of urgency. To make agriculturalist competitive, the farmer has to be supported in terms of the cost of production of efficient farming. These costs monetize existing practices, meet the immediate costs of technology adoption and learning and are sometimes embodied in new inputs. Many of them are of immediate kind and after an initial thrust and support, the farmer will compete on its own.

32. The existing support policy for subsistence agriculture with average cost has to continue in transitional period. Also if monetary/tax and tariff policy do not work on account of limitation of Inter-Ministerial coordination or market failure, MSP has to take the slack. The CACP has to function and continuously re-work these numbers and policies.

33. Taking into consideration the importance of reliable cost data and concerns expressed in earlier sections of this report, the Committee also recommends that

(i) adequate budgetary support should be provided to CS scheme;

(ii) for facilitating better supervision of data collection, Field supervisors of the scheme should be provided transport facilities;

(iii) posts falling vacant in the scheme at the level of implementing agencies and Cost Study Division of DES should be filled in on priority; and

(iv) adequate promotional avenues be provided to the staff of the scheme working in Implementing Agencies.

34. This report should also be translated into regional languages for wider public discussion.

(c): Concerned Departments have been requested to take action on the recommendations accepted by the Government.