

**Bill No. LII of 2022**

THE MINIMUM SUPPORT PRICE GUARANTEE BILL, 2022

A

BILL

*to entitle every farmer the right to guaranteed Minimum Support Price for his crops or agricultural produces and for matters connected therewith or incidental thereto.*

BE it enacted by Parliament in the Seventy-third Year of the Republic of India as follows:—

**1.** (1) This Act may be called the Minimum Support Price Guarantee Act, 2022.

Short title and commencement.

(2) It extends to the whole of India.

(3) It shall come into force on such date as the Central Government may, by notification  
5 in the Official Gazette, appoint.

**2.** (1) In this Act, unless the context otherwise requires,—

Definitions.

(a) "appropriate Government" means in the case of a State the Government of that State, and in all other cases, the Central Government;

(b) "Commission" means the Commission for Guaranteed Minimum Support  
10 Price constituted under section 7 of this Act;

(c) "Comprehensive Cost" or "C2" means the actual cost of production as provided under sub-section (2) of section 6 of this Act;

(d) "farmer" means a person actively engaged in the economic or livelihood activity of growing crops and producing other primary agricultural commodities and will include all agricultural operational holders, cultivators, agricultural labourers, sharecroppers, tenants, poultry and livestock rearers, fishers, beekeepers, gardeners, pastoralists, non-corporate planters and planting labourers, as well as persons engaged in various farming related occupations such as sericulture, vermiculture and agro-forestry, tribal families or persons engaged in shifting cultivation and in the collection, use and sale of minor and non-timber forest produce;

(e) "Minimum Support Price" or "MSP" means the price calculated or determined under section 8 of the Act;

(f) "prescribed" means prescribed by rules made under this Act; and

(g) "trader" means an individual, business, group, or agency that purchases agricultural produce or crops from the farmers or is engaged in day-to-day buying and selling of agricultural produce.

Constitution  
of the  
Commission  
for Guaranteed  
Minimum  
Support Price.

**3. (1)** The Central Government shall within six months from the date of commencement of this Act, by notification constitute a Commission known as 'Commission for Guaranteed Minimum Support Price', for carrying out purposes of this Act.

(2) The Commission shall have its headquarter at Delhi;

Provided that the Commission may establish such number of offices in the States as it deems necessary for carrying out the purposes of this Act.

(3) The Commission shall consist of not more than thirty members to be appointed by the Central Government for carrying out the purposes of this Act in such manner as may be prescribed;

Provided that the number of members may be modified by the Central Government, as and when it deems necessary for carrying out the purposes of this Act.

(4) The Commission shall consist of following members:—

(a) at least three Members of Parliament from the Lok Sabha and two Members of Parliament from the Rajya Sabha;

(b) two members serving as the Vice-Chancellors of Central Universities;

(c) three professors from the domain of agricultural studies or related fields having at least twenty years of teaching experience;

(d) two former judges of the Supreme Court;

(e) three members from the civil society having at least twenty years experience in agriculture or rural development;

(f) five members from farmers trade unions—one each representing North, South, East, West, and the Northeast parts of the country;

(g) three members from the Indian Council of Agricultural Research;

(h) the Union Secretary of the Ministry of Food and Public Distribution;

(i) the Union Secretary of the Ministry of Agriculture and Farmers Welfare;

(j) the Union Secretary of the Ministry of Rural Development;

(k) the Union Home Secretary;

(l) the Union Finance Secretary;

(m) the Chairman of the Parliamentary Standing Committee on Agriculture, Animal Husbandry and Food Processing; and

(n) the Chairman of the Parliamentary Standing Committee on Rural Development.

5 **(5) The Central Government shall provide to the Commission such numbers of officers and staff, as it deems necessary for carrying out purposes of this Act.**

**(6) The salary and allowances payable to, and other terms and conditions of service of members of the Commission other than the persons who are not drawing salary from the Consolidated Fund of India or any university fund, shall be as may be prescribed by the Central Government.**

10 **4. (1)** The Commission shall determine and recommend the guaranteed Minimum Support Price in the manner specified in section 8 of this Act for each crop or agricultural produce specified in the list prepared by the Commission under sub-section (2) of this section. Functions of the Commission.

15 (2) The Commission shall, for carrying out the purposes of this Act, prepare a list of crops or agricultural produces eligible for guaranteed Minimum Support Price for Kharif Season and Rabi Season after extensive consultations with stakeholders in such manner as may be prescribed:

Provided that the list may be updated in every crop season if found appropriate by the Commission or as the case may be:

20 Provided further that preparation of the list may not be exclusively for Kharif and Rabi crop season and list of other seasons or durations may be prepared by the Commission as the case may be.

25 (3) Notwithstanding anything contained in sub-section (1) and (2), the Commission shall work in coordination with the appropriate Government for ensuring guaranteed minimum support price to farmers, development of agriculture, welfare of farmers, and undertake such other functions as may be prescribed.

**5. (1)** The Central Government shall on the basis of recommendation for guaranteed Minimum Support Price as calculated and determined by the Commission, entitle farmers with the guarantee of Minimum Support Price for the crops prescribed by the Commission. Guarantee for minimum Support Price by the Central Government.

30 (2) The Minimum Support Price, as determined by the Commission, shall be notified by the Central Government not later than one week of the receipt of recommendation from the commission in such manner as may be prescribed.

35 **6. (1)** The Central Government shall, upon receiving recommendation for Minimum Support Price as computed by the Commission under section 8, notify the guaranteed Minimum Support Prices for agricultural produces, before 15th March of every year for the Kharif crop season and before 31st July of every year for the Rabi season: Notification of Guaranteed Minimum Support Prices.

Provided that the dates of such notification may be modified by the Central Government on the recommendation of the Commission.

40 (2) Notwithstanding anything contained in sub-section (1), the Central Government, upon receiving recommendation of the Commission, shall notify the list of crops for guaranteed Minimum Support Price before 15th March of every year for the Kharif crop season and before 31st July of every year for the Rabi season:

Provided that the list may be modified by the Central Government on the recommendation of the commission:

45 Provided further that in case the Commission recommends a different list other than kharif and Rabi season, the same may be notified by the Central Government within fifteen days of receipt of such recommendation.

Payment for crops.	<p><b>7.</b> The appropriate Government shall ensure that government procurement agencies or traders transfer the payments for crops to farmers through direct bank transfers not more than thirty days after purchase or procurement of crops:</p> <p style="padding-left: 40px;">Provided that in case of delay in payments to farmers for crops by traders or government procurement agencies as specified under this section, the appropriate Government shall pay a compensation at a monthly interest rate of eight per cent. to the farmers.</p>	5
Minimum Support Price.	<p><b>8. (1) The Commission shall determine and recommend to the Central Government the Minimum Support Price for agricultural produces, which shall not be less than a profit margin of not less than fifty per cent. and above the Comprehensive Cost.</b></p> <p><b>(2) The Comprehensive Cost shall include and take into account the following components:</b></p> <p style="padding-left: 40px;"><b>(a) actual paid out cost, which shall include but not be limited to:—</b></p> <p style="padding-left: 80px;"><b>(i) expenditure on seeds, fertilisers, and chemicals;</b></p> <p style="padding-left: 80px;"><b>(ii) expenditure on hired labour;</b></p> <p style="padding-left: 80px;"><b>(iii) expenditure on fuel, irrigation, machinery, etc;</b></p> <p style="padding-left: 40px;"><b>(b) an imputed value of unpaid family labour that may be determined and fixed by the Commission;</b></p> <p style="padding-left: 40px;"><b>(c) expenses on rentals;</b></p> <p style="padding-left: 40px;"><b>(d) the interest forgone on owned land and fixed capital assets respectively; and</b></p> <p style="padding-left: 40px;"><b>(e) Any other cost that may be prescribed by the Commission for carrying out purposes of this Act:</b></p> <p style="padding-left: 80px;"><b>Provided that the components may be modified by the Commission if felt appropriate from time to time, for carrying out the purposes of this Act.</b></p>	10 15 20
Offences and penalties.	<p><b>9.</b> Any trader who violates the provision of this Act shall be punishable with—</p> <p style="padding-left: 40px;"><b>(a)</b> a penalty of not less than rupees one lakh; or</p> <p style="padding-left: 40px;"><b>(b)</b> two hundred per cent. of the losses suffered by the farmer on account of non-payment of guaranteed Minimum Support Price; or</p> <p style="padding-left: 40px;"><b>(c)</b> cancellation of trading licences and banning from getting entitled with any business dealing with trading in the agriculture sector; or</p> <p style="padding-left: 40px;"><b>(d)</b> imprisonment for a period not less than three months which may extend to two years; or</p> <p style="padding-left: 40px;"><b>(e)</b> any one of or more of the penalties mentioned in clauses (b), (c) and (d).</p>	25 30
Act to have overriding effect.	<p><b>10.</b> The provisions of this Act of any rule or order made thereunder shall have effect notwithstanding anything inconsistent therewith contained in any law, or any instrument having effect by virtue of any law other than this Act.</p>	35
Power to make rules.	<p><b>11. (1)</b> The appropriate Government may make rules for carrying out purposes of this Act.</p> <p><b>(2)</b> Every rule made under this Act by the Central Government shall be laid, as soon as may be after it is made, before each House of Parliament while it is in session for a total period of fourteen days which may be comprised in one session or in two successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid both Houses agree in making any modification in the rule or both the Houses agree that the rule should not be made, the rule shall thereafter have effect only in</p>	40

such modified form or be of no effect, as the case may be; so however that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.

(3) Every rule made by the State Government under this section shall be laid, as soon  
5 as may be, after it is made, before each House of the Legislature where it consists of two Houses, or where such Legislature consists of one House, before that House.

## STATEMENT OF OBJECTS AND REASONS

Agriculture is considered one of the most risky businesses in India. Farmers face risks from planting crops to finding markets for their agricultural produce, along with a barrage of risk-related factors including crop production, weather uncertainty, crop prices, credit and policy decisions. The main reason for price risk is the low remuneration cost, absence of market and excessive profit making by middlemen. The Minimum Support Price, over the time evolved as an impressive concept for ensuring welfare of farmers—the minimum price at which the government is ready to buy the entire quantity of food grains sold by the farmers. When the price of agricultural products is falling in the market, it becomes the duty of the Government to protect the interests of farmers by purchasing agricultural products at the minimum support price.

Farmers in many parts of India are forced to grow certain crops despite its ecological consequences and risk factors because of the government assurance that it will buy their whole produce at MSP. However, the absence of a legislative backing has added to the ambiguity and pushed the impressive idea towards slow death. Legalising MSP would put the government under a legal obligation to buy every grain of the crops for which MSPs are announced.

Moreover, as recommended by Government Committees, experts, farmers' unions, etc, the calculations and way of determining the MSP need to be revised and reformed. There is a need to revise the All paid out costs (A2) + Family Labour (FL) formula with the Comprehensive cost (C2) + 50 per cent. of C2 formula as per recommendations of the M.S. Swaminathan Committee. Comprehensive Cost (C2) is the actual cost of production as it takes into account for the rent and interest foregone on the land and machinery owned by farmers, in addition to the A2+FL rate. As per the Swaminathan Committee, the ideal formula to calculate the MSP should be:  $MSP=C2+50 \text{ per cent. of } C2$ .

A legal guarantee to farmers for Minimum Support Price backed by a binding legislation is the need of the hour for protecting the primary sector and ensuring welfare of the farmers.

Hence, this Bill.

RAGHAV CHADHA

## FINANCIAL MEMORANDUM

Section 3 of the Bill provides for the Central Government to constitute a Commission for ensuring guaranteed Minimum Support Price for agricultural produce procured from farmers. Section 8 of the Bill provides for ensuring a new mechanism for calculating the Minimum Support Price on the basis of Comprehensive Cost (C2) incurred. The Bill also seeks to provide compensation to the farmers in case of delays and failures in payment for agriculture produce. The Bill, therefore, if enacted, will involve expenditure from the Consolidated Fund of India. It is estimated that a recurring expenditure of about rupees three lakh crore per annum would be involved from the Consolidated Fund of India.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Section 11 of the Bill empowers the appropriate Government to make rules for carrying out the purposes of the Bill. As the rules will relate to matters of detail only, the delegation of legislative power is of a normal character.



RAJYA SABHA

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to entitle every farmer the right to guaranteed Minimum Support Price for his crops or agricultural produces and for matters connected therewith or incidental thereto.

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*(Shri Raghav Chadha, M.P.)*