

GOVERNMENT OF INDIA  
MINISTRY OF AGRICULTURE AND FARMERS WELFARE  
DEPARTMENT OF AGRICULTURE, COOPERATION AND FARMERS WELFARE

**LOK SABHA**  
**UNSTARRED QUESTION NO.2266**  
TO BE ANSWERED ON THE 31<sup>ST</sup> JULY, 2018

**REVIEW OF FORMULA FOR COMPUTING MSP**

2266. SHRI KUNDARIYA MOHAN BHAI KALYANJI BHAI:

Will the Minister of AGRICULTURE AND FARMERS WELFARE **†ãđŠääÓã एवं किसान कल्याण**  
**½ãâ"ããè**  
be pleased to state:

- (a) whether the Government proposes to review the formula for computing MSP for Kharif crops;
- (b) if so, the details thereof indicating the present formula and the changes proposed therein;
- (c) whether the proposed formula is similar to the Rabi MSP formula and if so, the details thereof;
- (d) the benefits to be accrued to the farmers and the Government along with the manner in which it is proposed to be implemented; and
- (e) the manner in which the Government proposes to raise additional funds to meet the rising procurement costs?

**ANSWER**

MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE AND FARMERS WELFARE

**†ãđŠääÓã एवं किसान कल्याण ½ãâ"ããÈã¼ã ½ãñã Äã¼ã ½ãâ"ããè** ( SHRI GAJENDRA  
SINGH SHEKHAWAT)

(a) to (c): Government fixes MSPs of 22 mandated kharif and rabi crops and fair and remunerative price (FRP) for sugarcane on the basis of recommendations of Commission for Agricultural Costs and Prices (CACP), after considering the views of State Governments and Central Ministries/Departments concerned and other relevant factors.

While recommending MSPs for all mandated crops of both Rabi and Kharif seasons, CACP considers cost of production and other important factors such as demand-supply situation, trends in domestic and international prices, inter-crop price parity, terms of trade between agricultural and non-agricultural sectors and the likely impact of MSP on consumers and overall economy along with rational utilization of scarce natural resources like land and water. The methodology adopted by CACP is on the basis of the recommendations of different expert committees on the 'methodology of cost of production'. Based on the latest three years actual cost estimates provided by the Directorate of Economics and Statistics, Ministry of Agriculture and Farmers Welfare which is compiled under 'Comprehensive Scheme for studying the Costs of Cultivation of Principal Crops in India', CACP undertakes cost projection exercise crop-wise, state-wise for the ensuing season under certain implicit assumptions by utilizing statistical techniques.

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(d): Government fixes MSP which acts as a floor price as this is backed up by schemes for procuring the crops. Cereals like Paddy and Wheat are procured by FCI and other designated agencies including by the States under the decentralized procurement system mainly for distribution under the public distribution system (PDS), which takes care of the basic consumption needs of the poor. However, if farmers get better price in comparison to MSP, they are free to sell their produce in open market.

In addition to above mentioned scheme, the Government has taken several other steps to ensure remunerative prices to farmers for their produce including price support scheme (PSS) for pulses, oilseeds and cotton. Under PSS, payments to the farmers are made strictly through Real Time Gross Settlement (RTGS)/National Electronic Fund Transfer (NEFT) and account payee cheque by the procuring agencies within three days of purchase of their produce.

(e): The difference between the economic cost of the cereals procured and their central issue prices under PDS is the subsidy outgo which is borne on the Budget. Government provides guarantee based on which the procurement agencies conduct their operations for pulses, oilseeds and cotton under PSS and also for copra and jute. The losses incurred by procurement agencies in the process are borne on the Budget.

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