

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

LOK SABHA
UNSTARRED QUESTION NO.406
TO BE ANSWERED ON THE 4TH FEBRUARY, 2020

CALCULATION OF INPUT COST

406. SHRI PARTHIBAN S.R.:

Will the Minister of AGRICULTURE AND FARMERS WELFARE कृषि एवं किसान कल्याण मंत्री be pleased to state:

- (a) the criteria adopted for calculating the input cost in agriculture in the country;
- (b) the clause adopted for calculation of the MSP;
- (c) the details of MSP of various farm produce during the last year; and
- (d) whether it is in conformity with the MS Swaminathan Committee's recommendation for giving 1.5 times input cost to the farmers and if so, the details thereof?

ANSWER

MINISTER OF AGRICULTURE AND FARMERS WELFARE

कृषि एवं किसान कल्याण मंत्री (SHRI NARENDRA SINGH TOMAR)

(a): The Cost of cultivation is calculated following an elaborate methodology laid down in the scheme called "Comprehensive Scheme for Studying Cost of Cultivation for Principal Crops in India". The data is collected through 16 Cost of Cultivation Centres located in 16 Agricultural Universities/General Universities and Institutes. Cost data is collected for 25 selected crops from 20 States. The crops covered are paddy, wheat, jowar, bajra, maize, ragi, barley, moong, urad, arhar, gram, masur, groundnut, rapeseed and mustard, nigerseed, safflower, soyabean, sunflower, sesamum, cotton, jute, sugarcane, onion, potato, and coconut. These crops are selected for a block period of three years.

The sampling design of the scheme is a three stage stratified random sampling design with tehsil as the first stage unit, village/cluster of villages as the second-stage unit and operational holdings as the third and ultimate stage unit.

The Scheme envisages collection of representative data on inputs and outputs in physical and monetary terms on a comparable and comprehensive basis following uniform methodology which is designed by an Expert Committee and is reviewed from time to time. The field data is collected based on the Cost Accounting Method by 16 Cost of Cultivation Centres covering 20 states. Under the scheme, daily entries of debit/credit for the expenditure/income are made in order to assess the total cost /benefit incurred/accrued to each farmer covered under the scheme.

The input cost estimates generated under CS Scheme include all paid-out cost, i.e., cost incurred in cash and kind, like value of hired human labour, hired and owned bullock and machine labour, value of seeds, insecticides, pesticides, manure, fertilizer, irrigation charges, land revenue, cesses & other taxes, interest on working capital, miscellaneous expenses, rent paid for leased land; and imputed value of family labour.

Based on the crop-wise and state-wise cost estimates generated under the CS Scheme, CACP projects crop-wise all India weighted average cost of production for the ensuing season to arrive at the recommendations of Minimum Support Price (MSP) of major agriculture commodities.

(b) & (c): The Government of India declares the MSPs of mandated agricultural crops, including kharif and rabi crops, based on the price policy recommendations of Commission for Agricultural Costs & Prices (CACP), after ascertaining the views of State Governments and Central Ministries/Departments concerned and other relevant factors. While recommending MSPs for crops, CACP keeps in mind the cost of production and other important factors, such as demand and 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 based on 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 & Statistics, Ministry of Agriculture and Farmers Welfare, CACP undertakes crop-wise, state-wise cost projection exercise for the ensuing season under certain implicit assumptions by utilizing statistical techniques. These projected estimates of cost of production are factored into the formulation of price policy recommendations by the CACP. The detail of MSP of various agricultural crops during last year is given at Annexure I.

(d): National Commission on Farmers (NCF), headed by Dr. M.S. Swaminathan, has recommended that the MSP should be at least 50 percent more than the weighted average cost of production. However, when the National Policy for Farmers, 2007 was finalized by the then Government, this recommendation of providing 50 per cent return over cost of production was not included.

The Union Budget for 2018-19 had announced the pre-determined principle to keep MSPs at levels of one and half times of the cost of production. Accordingly, Government had increased the MSPs for all mandated Kharif, Rabi Crop and other commercial crops with a return of atleast 50 percent over the all-India weighted average cost of production for the season 2018-19. Government has recently increased the MSPs for all mandated Kharif and Rabi crops for 2019-20 season in line with the principle of providing atleast 50 percent return over all India weighted average cost of production MSP, Cost and return over cost fixed for year 2018-19 and 2019-20 is given at Annexure II.

Cost of production varies in different States on account of difference in the yield of crops and owing to the levels of irrigation, resource endowment, farm mechanization, land holding size etc. As such, returns over cost of production may vary across States for MSP crops.

Annexure I

Annexure I referred to in reply to part (b) & (c) of Lok Sabha Unstarred Question No. 406 due for reply on 04.02.2020.

Minimum Support Prices (MSPs) of major agricultural crops during last year:

Rs. /quintal

Sl. No	Commodity	Variety	2019-20
	<u>KHARIF CROPS</u>		
1	PADDY	Common	1815
		Grade A^	1835
2	JOWAR	Hybrid	2550
		Maldandi^	2570
3	BAJRA		2000
4	MAIZE		1760
5	RAGI		3150
6	ARHAR(Tur)		5800
7	MOONG		7050
8	URAD		5700
9	COTTON	Medium Staple	5255
		Long Staple	5550
10	GROUNDNUT IN SHELL		5090
11	SUNFLOWER SEED		5650
12	SOYABEEN		3710
13	SESAMUM		6485
14	NIGERSEED		5940
	<u>RABI CROPS</u>		
15	WHEAT		1925
16	BARLEY		1525
17	GRAM		4875
18	MASUR (LENTIL)		4800
19	RAPESEED/MUSTARD		4425
20	SAFFLOWER		5215
21	TORIA^		4425
	<u>OTHER CROPS</u>		
22	COPRA	Milling	9521
	(Calender Year)	Ball^	9920
23	DE-HUSKED COCONUT^ (Calender Year)		2571
24	JUTE		3950
25	SUGARCANE		275

^ Cost is not separately compiled for Paddy (Grade A), Jowar (Maldandi), Cotton (long staple), Toria, Dehusked Coconut and Copra (Ball).

Annexure II

Annexure II referred to in reply to part (d) of Lok Sabha Unstarred Question No. 406 due for reply on 04.02.2020.

Cost*, MSP and Return

(Rs per quintal)

Sl. No.	Commodity	2018-19			2019-20		
		Cost*	MSP	% Return over Cost	Cost*	MSP	% Return over Cost
1	PADDY(Common)	1166	1750	50.1	1208	1815	50.2
	(Grade A)^		1770			1835	
2	JOWAR (Hybrid)	1619	2430	50.1	1698	2550	50.2
	(Maldandi) ^		2450			2570	
3	BAJRA	990	1950	97.0	1083	2000	84.7
4	MAIZE	1131	1700	50.3	1171	1760	50.3
5	RAGI	1931	2897	50.0	2100	3150	50.0
6	ARHAR(Tur)	3432	5675	65.4	3636	5800	59.5
7	MOONG	4650	6975	50.0	4699	7050	50.0
8	URAD	3438	5600	62.9	3477	5700	63.9
9	COTTON (Medium Staple)	3433	5150	50.0	3501	5255	50.1
	(Long Staple)^		5450			5550	
10	GROUNDNUT IN SHELL	3260	4890	50.0	3394	5090	50.0
11	SUNFLOWER SEED	3592	5388	50.0	3767	5650	50.0
12	SOYABEAN (Yellow)	2266	3399	50.0	2473	3710	50.0
13	SESAMUM	4166	6249	50.0	4322	6485	50.0
14	NIGERSEED	3918	5877	50.0	3960	5940	50.0
	RABI CROPS						
1	WHEAT	866	1840	112.5	923	1925	108.6
2	BARLEY	860	1440	67.4	919	1525	65.9
3	GRAM	2637	4620	75.2	2801	4875	74.0
4	MASUR (LENTIL)	2532	4475	76.7	2727	4800	76.0
5	RAPESEED/MUSTARD	2212	4200	89.9	2323	4425	90.5
6	SAFFLOWER	3294	4945	50.1	3470	5215	50.3
	OTHER CROPS						
1	COPRA (Milling)	5007	7511	50.0	6347	9521	50.0
	(Ball)^		7750			9920	
2	JUTE	2267	3700	63.2	2535	3950	55.8
3	SUGARCANE	155	275	77	156	275	76

*Includes all paid out costs such as those incurred on account of hired human labour, bullock labour/machine labour, rent paid for leased in land, expenses incurred on use of material inputs like seeds, fertilizers, manures, irrigation charges, depreciation on implements and farm buildings, interest on working capital, diesel/electricity for operation of pump sets etc, miscellaneous expenses & imputed value of family labour.

^ Cost is not separately compiled for Paddy (Grade A), Jowar (Maldandi), Cotton (long staple) and Copra(ball).
