

GOVERNMENT OF INDIA  
MINISTRY OF AGRICULTURE & FARMERS WELFARE  
DEPARTMENT OF AGRICULTURE & FARMERS WELFARE

**LOK SABHA**  
**UNSTARRED QUESTION NO. 3571**  
TO BE ANSWERED ON THE 10<sup>th</sup> AUGUST, 2021

**STUDY OF AGRICULTURAL COST AND MSP**

3571. SHRI RAHUL KASWAN:

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

- (a) whether the Union Government has initiated a comparative study to examine the cost involved in production of major crops including risk factors as compared to the Minimum Support Price (MSP) fixed for each crop and if so, the details thereof; and
- (b) whether the National Commission on Agriculture had recommended that MSP of the agriculture produce should be fixed at least 50 per cent more than the weighted average cost of production and if so, the steps taken by the Government to implement the recommendation of the said Commission to bring maximum benefit to the farmers?

**ANSWER**

THE MINISTER OF AGRICULTURE AND FARMERS WELFARE

कृषि एवं किसान कल्याण मंत्री (SHRI NARENDRA SINGH TOMAR)

(a) & (b): Government fixes Minimum Support Price (MSP) for all mandated crops on the basis of recommendations of Commission for Agricultural Costs and Prices (CACP). While recommending its price policy, the CACP considers all costs in a comprehensive and comparative manner which include 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 in cash and kind on the 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 and imputed value of family labour.

In addition to cost of production, CACP also considers various other factors which include overall demand-supply situations of various crops in domestic and world markets, domestic and international prices, inter-crop price parity, terms of trade between agriculture and non-agriculture sector, likely effect of price policy on rest of economy and a minimum of 50 percent as the margin over cost of production. This also includes other risk factor.

The Union Budget for 2018-19 had announced the pre-determined principle to keep MSP at levels of one and half times of the cost of production. Accordingly, Government has increased the MSPs for all mandated Kharif, Rabi and other commercial crops with a return of atleast 50 per cent of All India weighted average cost of production from the agricultural year 2018-19.

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