

Parameters for fixing of MSP for crops

1304. SHRI SAMBHAJI CHHATRAPATI: Will the Minister of AGRICULTURE AND FARMERS WELFARE be pleased to state:

(a) whether the Minimum Support Price (MSP) for paddy during 2016-17 was ₹ 1550/- per quintal whereas the cost of production to the farmers worked out to be ₹ 1484/- per quintal and hence the margin of profit was just ₹ 66/- per quintal;

(b) whether it indicate that parameters fixed for arriving at MSP are just mechanical and not at all reasonable;

(c) whether Government proposes to review the parameters and fix MSP rationally so that the farmers get a minimum 25 per cent profit over and above their input cost; and

(d) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE AND FARMERS WELFARE (SHRI GAJENDRA SINGH SHEKHAWAT): (a) Government had fixed the Minimum Support Price (MSP) for paddy during 2016-17 at ₹ 1470 per quintal which provides profit margin of ₹ 425 per quintal over all-India weighted average cost of production (A2+FL) of ₹ 1045 per quintal as estimated by the Commission for Agricultural Costs and Prices (CACP). The MSP of paddy for 2017-18 has been fixed at ₹ 1550 per quintal which provides profit margin of ₹ 433 per quintal over all-India weighted average cost of production (A2+FL) of ₹ 1117 per quintal as estimated by the CACP.

(b) Government fixes MSPs for major agricultural crops on the basis of the recommendations of the CACP, taking into consideration the cost of production, overall demand-supply, domestic and international prices, inter-crop price parity, terms of trade between agricultural and non-agricultural sectors, the likely effect on the rest of the economy, besides ensuring rational utilization of production resources like land and water.

(c) and (d) There is no proposal to change the formula for determining MSPs at present. However, from time to time, expert committees were constituted by Government to review the methodology and system of calculation of the cost of cultivation/production of agricultural crops, to arrive at the MSPs.

The MSPs fixed by Government for mandated crops provide adequate returns over all-India weighted average cost of production (A2+FL). The return over A2+FL for MSPs fixed by Government for paddy is in range of 38% to 41% for the last three years.