

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

**RAJYA SABHA**  
**UNSTARRED QUESTION NO. 661**  
TO BE ANSWERED ON 08/12/2023

**COST OF PRODUCTION COMPONENT IN DETERMINATION OF MSP**

661. SHRI JAVED ALI KHAN:  
SHRI RAM NATH THAKUR:

Will the Minister of AGRICULTURE AND FARMERS WELFARE be pleased to state:

- (a) the details of component of cost of production along with price and weightage taken for determining Minimum Support Price (MSP) for wheat and paddy per quintal during 2022 and 2023;
- (b) the mechanism adopted to ascertain the real cost of production being borne by farmers of wheat and paddy;
- (c) whether Government is aware that the cost of production, taken for determining the MSP of various crops, is not real resulting in non-remunerative agricultural profession; and
- (d) if so, the reasons therefor and the corrective steps to be taken in this regard?

**ANSWER**

MINISTER OF AGRICULTURE AND FARMERS WELFARE

(SHRI NARENDRA SINGH TOMAR)

(a) to (d): Government fixes minimum support prices (MSPs) for 22 mandated crops including wheat and paddy, on the basis of the recommendations of the Commission for Agricultural Costs & Prices (CACP), after considering the views of State Governments and Central Ministries/ Departments concerned. While recommending MSP, CACP considers important factors like overall demand-supply conditions, cost of production, domestic and international prices, intercrop 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 land, water and other production resources and a minimum of 50 percent as the margin over cost of production.

The Cost of production is one of the important determinants of MSP and its estimation is based on the methodology recommended by Expert Committees from time to time. CACP projects cost for ensuing marketing season on the basis of actual paid out costs (which includes human labour, bullock labour, machine labour, fertilisers and manures, seeds, pesticides, irrigation, miscellaneous costs like crop insurance premium, hiring charges of implements, electricity etc., interest on working capital incurred in production, rent paid for leased-in land, land revenue, depreciation on implements & farm buildings); imputed value of family labour and Composite Input Price Index (CIPi). The CIPi are based on the latest actual price trends of major inputs as per data available from Labour Bureau, State Governments, Office of Economic Adviser, Ministry of Commerce & Industry, Fertilizer Association of India (FAI), Jute Corporation of India, Coconut Development Board, Indian Sugar Mills Association, Cotton Corporation of India, Farmers' Associations, farmers/farmers' representatives etc.

Government, in its Union Budget for 2018-19, had made an announcement to keep MSP at a level of one and half times of the cost of production as a pre-determined principle. Accordingly, MSPs for all mandated Kharif, Rabi and other commercial crops have been fixed with a margin of at least 50 per cent over all India weighted average cost of production since the year 2018-19.

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