

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

RAJYA SABHA
UNSTARRED QUESTION NO. 2087
TO BE ANSWERED ON 09/08/2024

FORMULA FOR DETERMINATION OF MSP

2087. SHRI RAJEEV SHUKLA:

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

- (a) the current formula used by Government to determine the MSP of agricultural produce in the country;
- (b) whether Government is considering to implement the formula recommended by the Swaminathan Commission comprising C2+50 per cent;
- (c) if so, the details thereof and if not, the reasons therefor;
- (d) the details of measures being taken by Government to further enhance the applicability of the MSP since as per the Shanta Kumar Committee, only 6 per cent of the MSP was actually received by farmers; and
- (e) the proposed measures to be taken by Government in this regard?

ANSWER

MINISTER OF STATE FOR AGRICULTURE AND FARMERS WELFARE
(SHRI RAMNATH THAKUR)

(a) to (c): Government fixes Minimum Support Prices (MSPs) for 22 mandated agricultural crops on the basis of the recommendations of the Commission for Agricultural Costs & Prices (CACP) and in consultation with State Governments and stake holder Central Ministries / Departments. While recommending MSP, Commission for Agricultural Costs and Prices (CACP) considers important factors like cost of production, overall demand-supply conditions, domestic and international prices, intercrop price parity, terms of trade between agricultural and non-agricultural sectors, 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.

National Commission on Farmers (NCF), constituted under the Chairmanship of Prof. M.S. Swaminathan in 2004, inter alia, recommended that MSP should be at least 50 percent more than the weighted average cost of production. To give effect to this recommendation, 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.

(d) & (e): To make MSP more effective and transparent, a committee has been constituted on 12th July, 2022. The subject matter of the committee include three points, such as, (i) Suggestions to make available MSP to farmers of the country by making the system more effective and transparent, (ii) Suggestions on practicality to give more autonomy to Commission for Agricultural Costs and Prices (CACP) and measures to make it more scientific, and (iii) To strengthen the Agricultural Marketing System as per the changing requirements of the country to ensure higher value to the farmers through remunerative prices of their produce by taking advantage of the domestic and export opportunities.
