



## Minimum Support Price

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The Government has hiked the **Minimum Support Price (MSP)** for **Rabi crops** for the marketing season 2020-21, after decision was taken at a meeting of the **Cabinet Committee on Economic Affairs (CCEA)**, headed by the Prime Minister.

The increase in MSP for Rabi Crops is in line with the principle of fixing the MSPs at a level of **at least 1.5 times** of the all India weighted average cost of production [CoP], which was announced in the Union Budget 2018-19.

- The MSP is the rate at which the **government buys grains from farmers**.
- **Reason behind the idea of MSP is to counter** price volatility of **agricultural commodities** due to the factors like variation in their supply, lack of market integration and information asymmetry.

## Fixation of MSP

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- The MSP is fixed **on the recommendations of the Commission for Agricultural Costs and Prices (CACP)**.
- **Factors taken into consideration** for fixing MSP include:
  - Demand and supply;
  - Cost of production (A2 + FL method)
  - Price trends in the market, both domestic and international;
  - Inter-crop price parity;
  - Terms of trade between agriculture and non-agriculture;
  - A minimum of 50% as the margin over cost of production; and
  - Likely implications of MSP on consumers of that product.
- The **Commission also makes visits to states** for on-the-spot assessment of the various constraints that farmers face in marketing their produce, or even raising the productivity levels of their crops.
- Based on all these inputs, the Commission then finalizes its recommendations/reports, which are then submitted to the government.

- The government, in turn, circulates the CACP reports to state governments and concerned Central Ministries for their comments.
- After receiving the feed-back from them, the **Cabinet Committee on Economic Affairs (CCEA) of the Union government takes a final decision** on the level of MSPs and other recommendations made by the CACP.
- **Procurement:** The **Food Corporation of India (FCI)**, the nodal central agency of the Government of India, along with other State Agencies undertakes procurement of crops.

The CACP is an **attached office** of the **Ministry of Agriculture and Farmers Welfare**, formed in 1965. It is a **statutory body** that submits separate reports recommending prices for Kharif and Rabi seasons.

### **National Commission on Farmers: Swaminathan Committee**

- On 18<sup>th</sup> November, 2004, the Union government formed the National Commission on Farmers (NCF) with MS Swaminathan as its chairman.  
The main aim of the committee was to come up with a sustainable farming system, make farm commodities cost-competitive and more profitable.
- It, in 2006, recommended that MSPs must be at least 50% more than the cost of production.
- It talked about the cost of farming at three levels:
  - **A2:** All the types of cash expenditure to generate the crop like seeds, manure, chemicals, labour costs, fuel costs and irrigation costs.
  - **A2+FL:** It includes A2 plus an imputed value of unpaid family labour.
  - **C2:** Under C2, the estimated land rent and the cost of interest on the money taken for farming are added to A2 and FL.

### **Rabi Crops**

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- Rabi crops are **sown in winter from October to December** and harvested in summer from April to June.
- Some of the **important rabi crops** are wheat, barley, peas, gram and mustard.
- Though, these crops are grown in large parts of India, states from the north and northwestern parts such as **Punjab, Haryana, Himachal Pradesh, Jammu and Kashmir, Uttarakhand and Uttar Pradesh** are important for the production of wheat and other rabi crops.

**Source: TH**