



Government Panel on MSP & Natural Farming

For Prelims: Natural Farming, Agricultural Marketing System, Commission for Agricultural Costs and Prices (CACP). Minimum Support Price (MSP)

For Mains: Natural Farming and Minimum Support Price (MSP)

Why in News?

Recently, the Union Government set up a **committee headed by the former Union Agricultural secretary** to further look into the **issues of Minimum Support Price (MSP) and [Natural Farming](#)**.

What was the Purpose of forming the Committee?

- It has been constituted as a follow-up to an announcement by Prime Minister when he had declared the government's intention to **[withdraw the three farm laws](#)**.
- The protesting farmers **had demanded a legal guarantee on MSP**, based on **Swaminathan Commission's 'C2+50% formula'**.
 - The Swaminathan Commission Report states that the **government should raise the MSP to at least 50% more than the weighted average cost** of production. It is also known as the C2+ 50% formula.
 - It includes the **imputed cost of capital and the rent on the land** (called 'C2') to give farmers 50% returns.
- This was in **addition to their demand for repeal of the three farm laws** — Farmers Produce Trade and Commerce (Promotion and Facilitation) Act, 2020; Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020; and the Essential Commodities (Amendment) Act, 2020.

What would be the Role of the Committee?

- **On MSP:**
 - It would discuss approaches to develop the **[Agricultural Marketing System](#)** in accordance with the changing needs of the country in order to ensure higher value to farmers through remunerative prices for their produce by leveraging domestic output and export.
 - To give suggestions to **make available MSP to farmers of the country** by making the system more effective and transparent.
 - To give suggestions on practicality to give more autonomy to **[Commission for Agricultural Costs and Prices \(CACP\)](#)** and measures to make it more scientific.
- **Natural Farming:**
 - It would give **suggestions for programmes and schemes** for value chain development, protocol validation, and research for future needs,
 - Also, push support for area expansion under the **Indian Natural Farming System** through publicity and through involvement and contribution of farmer organisations.
- **[Crop diversification](#)**

- It will **investigate, and map present cropping patterns** of agro-ecological zones in producer and consumer states.
- Promote a **diversification policy approach** to varying the cropping pattern according to the changing needs of the country.

What is MSP?

▪ About:

- **Minimum Support Price (MSP)** is a form of **market intervention by the Government of India to insure agricultural producers against any sharp fall in farm prices.**
- The minimum support prices are announced by the Government of India at the beginning of the sowing season for certain crops on the basis of the **recommendations of the Commission for Agricultural Costs and Prices (CACP).**
- Presently, the government announces minimum support prices for **23 crops.**
 - Crops covered by MSPs include:
 - 7 types of cereals (paddy, wheat, maize, bajra, jowar, ragi and barley),
 - 5 types of pulses (chana, arhar/tur, urad, moong and masur),
 - 7 oilseeds (rapeseed-mustard, groundnut, soyabean, sunflower, sesamum, safflower, nigerseed),
 - 4 commercial crops (cotton, sugarcane, copra, raw jute).

▪ Objectives:

- MSP is a price fixed by the Government of India to **protect the producer - farmers - against excessive falls in price during bumper production years.**
- The major objectives are to **support the farmers from distress sales** and to procure food grains for public distribution.
 - In case the market price for the commodity falls below the announced minimum price due to bumper production and glut in the market, government agencies purchase the entire quantity offered by the farmers at the announced minimum price.

▪ Factors Considered for Fixing MSP:

- The demand and supply of a commodity
- Its cost of production
- The market price trends (both domestic and international)
- Inter-crop price parity
- The terms of trade between agriculture and non-agriculture (that is, the ratio of prices of farm inputs and farm outputs)
- A minimum of 50% as the margin over the cost of production
- The likely implications of an MSP on consumers of that product

What is Natural Farming?

▪ About:

- **Natural Farming** can be defined as **“chemical-free farming and livestock based”.**
- Soundly grounded in agroecology, it is a **diversified farming system that integrates crops, trees, and livestock**, allowing the optimum use of functional biodiversity.
- It **holds the promise of enhancing farmers’ income while delivering many other benefits**, such as restoration of soil fertility and environmental health, and mitigating and/or reducing greenhouse gas emissions.
 - This farming approach was **introduced by Masanobu Fukuoka**, a Japanese farmer, and philosopher, in his 1975 book *The One-Straw Revolution*.

▪ Advantages:

- Actual physical work and labor have been reduced by up to 80% compared to other agricultural systems
- Improves soil quality
- Humus is created
- Water retention is improved, so it saves 60 to 80% of water
- Micro-climate around the plants
- Beneficial insects are attracted

UPSC Civil Services Examination Previous Year Question (PYQ)

Q. Consider the following statements: (2020)

1. In the case of all cereals, pulses, and oil seeds, the procurement at Minimum Support Price (MSP) is unlimited in any State/UT of India.
2. In the case of cereals and pulses, the MSP is fixed in any State/UT at a level to which the market price will never rise.

Which of the statements given above is/are correct?

- (a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

Ans: D

Exp:

- The Government of India announces **Minimum Support Prices (MSP) for 23 major agricultural commodities** each year in both the crop seasons after taking into account the recommendations of the Commission for Agricultural Costs and Prices (CACP).
- CACP recommends MSP for twenty-two (22) crops and Fair & Remunerative Price (FRP) for sugarcane.
 - 7 cereals (paddy, wheat, maize, sorghum, pearl millet, barley and ragi),
 - 5 pulses (gram, tur, moong, urad, lentil),
 - 7 oilseeds (groundnut, rapeseed-mustard, soyabean, seasmum, sunflower, safflower, nigerseed), and
 - 4 commercial crops (copra, sugarcane, cotton and raw jute).
- The Department of Food & Public Distribution declares Fair and Remunerative Prices (FRP) for sugar.
- The overall procurement quantity should not normally exceed 25% of the actual production of the commodity for that particular year/season. Over and above the procurement limit of 25%, if any, prior approval of the Department of Agriculture (DAC) shall be required. **Hence, statement 1 is not correct.**
- The MSP is fixed by the Central government, based on the average of MSP proposals made by various states, some of which can be higher than the Centre's recommendation.
- While the proposals based on input costs vary from state to state, the MSP is fixed to avoid price inequity. When the market prices dip to a level that is below the MSP, the government agencies buy over the produce in order to protect the farmers. Thus market prices can rise above MSP. **Hence, statement 2 is not correct. Therefore, option (d) is the correct answer**

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