



MSP Raised for Kharif Crops

Why in News

Recently, the [Cabinet Committee on Economic Affairs](#) has marginally increased the **Minimum Support Price (MSP)** of more than a dozen crops for Kharif Marketing Season (KMS) 2020-21.

Key Points

- The MSP has been raised in the range of 2%-7.5% for the kharif crops based on the recommendation of the **Commission for Agricultural Costs and Prices (CACP)**.
- The increase in MSP is in line with the **Union Budget 2018-19 announcement of fixing the MSPs at a level of at least 1.5 times** of the all-India weighted average cost of production, **aiming at reasonably fair remuneration for the farmers**.
- **Issue:** This rise will not make much of a difference to farmers, unless there is large scale government procurement in most crops at MSP.
- **Kharif crops:** They are the crops which are grown during the monsoon or rainy season from June to October. **Examples:** Paddy, Cotton, etc.

Minimum Support Price

- 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:** 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.

- **MSP Calculation:** This MSP is usually estimated based on **three types** of calculation methods.
 - **A2:** Under this, MSP is set 50% higher than the amount farmers spend on farming including spending on seeds, fertilisers, pesticides, and labour.
 - **A2+FL:** It includes A2 plus an assigned 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 on top of A2+FL.
- The Central government had set up the **National Commission on Farmers (NCF) in 2004** to address the issues of farmers in India including that of calculation of MSP.

National Commission on Farmers: Swaminathan Committee

- On 18th November, 2004, the Union government constituted this committee **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.**
- The commission, in 2006, recommended that MSPs must be at least 50% more than the cost of production and **recommended the C2 method for MSP calculation.**
- However, the **government calculates** its MSP based on the **A2+FL method.**

Commission for Agricultural Costs and Prices

- The CACP is an **attached office** of the **Ministry of Agriculture and Farmers Welfare**, formed in 1965. It is a **statutory body.**
- Currently, the Commission comprises a **Chairman, Member Secretary, one Member (Official) and two Members (Non-Official).**
 - The non-official members are representatives of the farming community and usually have an active association with the farming community.
- It is mandated to recommend **Minimum Support Prices (MSPs)** to incentivize the cultivators to adopt modern technology, and raise productivity and overall grain production.
- CACP submits separate reports recommending prices for **Kharif and Rabi seasons.**

[Source: IE](#)

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