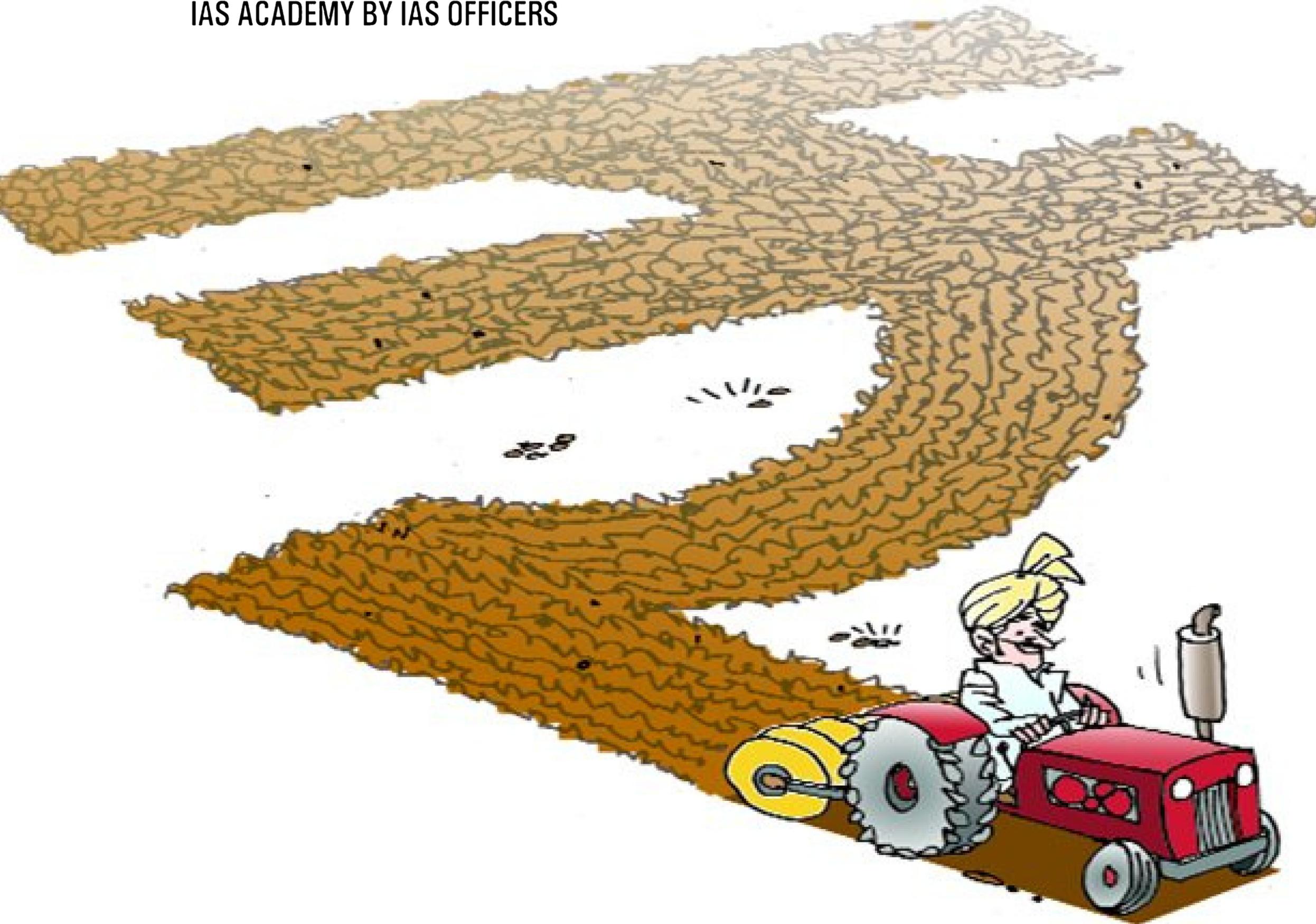


MINIMUM SUPPORT PRICE

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ABOUT MSP

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Minimum Support Price (MSP) is a form of **market intervention** by the Government to insure agricultural producers against any sharp fall in farm prices.



The minimum support prices are announced by the Government 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)**.



ABOUT CACP



The Commission for Agricultural Costs & Prices is an attached office of the **Ministry of Agriculture and Farmers Welfare**. It came into existence in 1965.

It is mandated to recommend MSPs to incentivize the cultivators to adopt modern technology and raise productivity and overall grain production in line with the emerging demand patterns in the country.



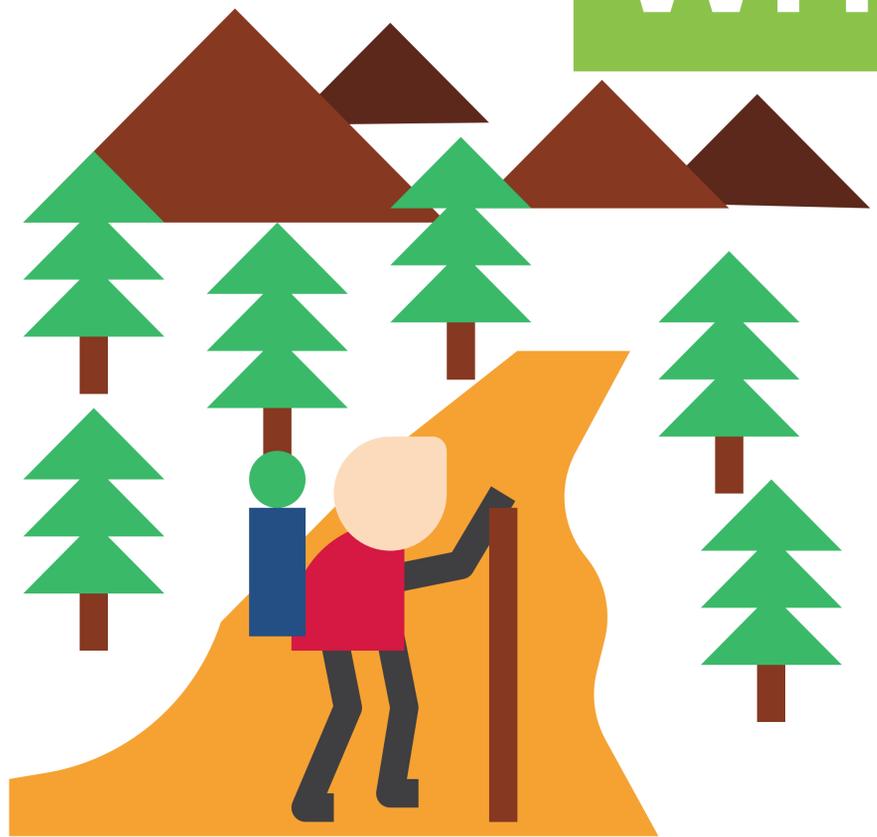


As of now, CACP recommends MSPs of **23 commodities**, which comprise **7 cereals** (paddy, wheat, maize, sorghum, pearl millet, barley and ragi), **5 pulses** (gram, tur, moong, urad, lentil), **7 oilseeds** (groundnut, rapeseed-mustard, soyabean, seasmum, sunflower, safflower, niger seed), and **4 commercial crops** (copra, sugarcane, cotton and raw jute).

CACP submits its recommendations to the government. The **Cabinet Committee on Economic Affairs (CCEA)** takes a **final decision** on the level of MSPs and other recommendations made by CACP.



WHY IN NEWS?

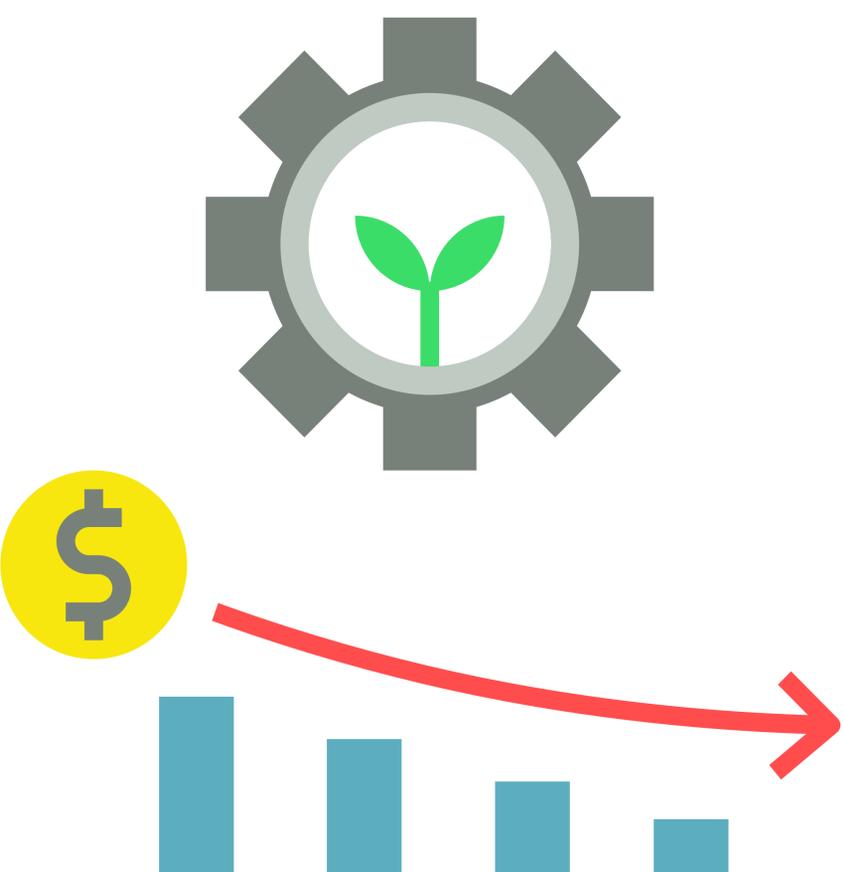


The Cabinet Committee on Economic Affairs has approved MSP hikes for six crops, including a 2.6% increase in the rate for wheat.

MSP rates were also hiked for five other winter crops — barley, gram, lentil, safflower, and rapeseed and mustard.



The increase in MSP for kharif crops 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.



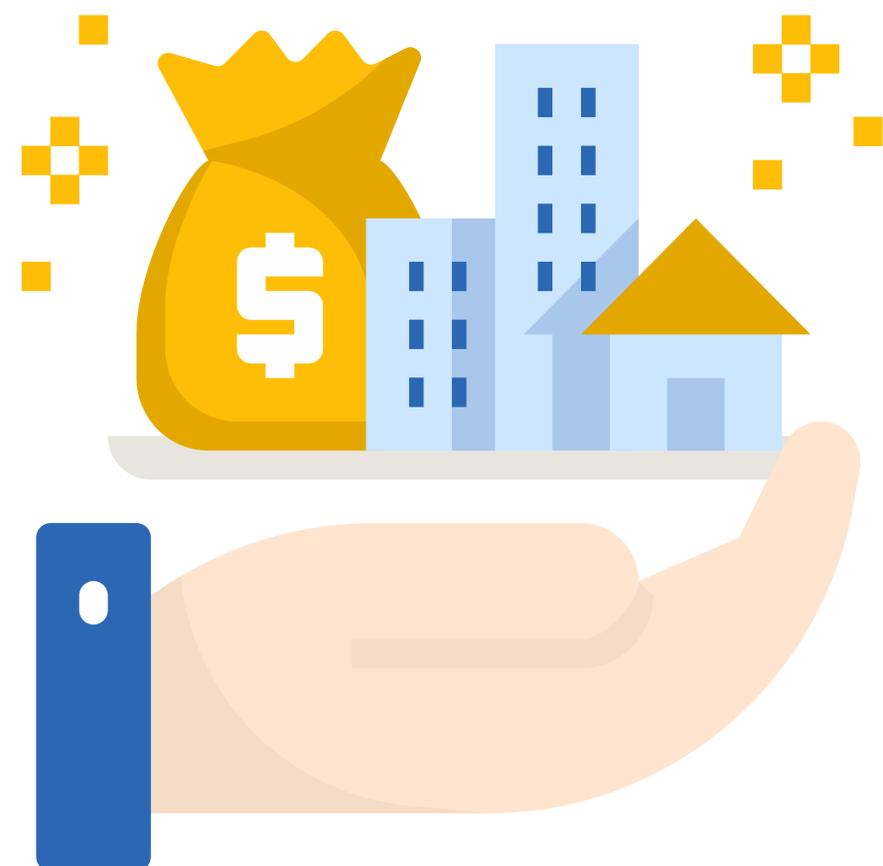
HOW IS THE PRODUCTION COST ARRIVED AT?

- As per CACP, there are three definitions of production cost which includes **A2, A2+FL and C2**

1. **A2 covers all paid-out expenses, including cash and in kind. It includes costs on seeds, chemicals, hired labour, irrigation, fertilisers and fuel.**

2. **A2+FL covers actual paid cost and also unpaid family labour.**

3. **C2 cost method is more comprehensive and makes the calculation by including a wider range of inputs. It includes actual paid out costs, imputed value of family labour, interest on the value of owned capital assets, rent paid for leased-in land and the rental value of owned land.**



NCF



- Farmers have been demanding that MSP should be 1.5 times of C2. The **National Commission on Farmers (NCF)** headed by MS Swaminathan also recommended the C2 method to calculate MSP.

- However, at present, MSP is calculated based on the A2+FL method.

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