

शरद पवार
SHARAD PAWAR



सत्यमेव जयते

D.O. No. 2169/AM
कृषि एवं खाद्य प्रसंस्करण उद्योग मंत्री
भारत सरकार
MINISTER OF AGRICULTURE &
FOOD PROCESSING INDUSTRIES
GOVERNMENT OF INDIA
No.4-11/2011 FES-ES

16 SEP 2011

Dear Mr. N. Nagarkhanna Rao

Kindly refer to your letter dated 7th September, 2011 forwarding therewith a copy of the resolution passed by the Consortium of Indian Farmers Association (CIFA) passed by the Consortium on 5th September, 2011 seeking declaration of MSP on the basis of the Swaminathan Commission's recommendation. I would like to inform you that the objective of price policy of agricultural commodities is to ensure remunerative prices to the growers for their produce with a view to encourage higher investment and production and evolve a balanced and integrated price structure in the context of overall needs of the economy while safeguarding the interest of consumers by making available supplies at reasonable prices. Government announces the MSPs of various agricultural commodities based on the recommendations of the Commission for Agricultural Costs and Prices (CACP), views of the concerned State Governments, Central Ministries/Departments and other relevant factors considered important for fixation of support prices. The CACP, while formulating the recommendations on Price Policy, considers a number of important factors which, *inter-alia*, include cost of production, changes in input price, trends in market prices, demand and supply situation etc.

Cost of production is one of the important factor taken into account in fixing the MSPs. The cost of cultivation/production includes all paid out costs, such as, those incurred on account of hired human labour, bullock labour/machine labour (both hired and owned) and rent paid for leased in land besides cash and kind expenses on use of material inputs like seeds, fertilizers, manures, irrigation charges including cost of diesel/electricity for operation of pump sets, etc. Besides, cost of production includes imputed value of wages of family labour and rent for owned land. The cost also covers depreciation of farm machinery and buildings, transportation and insurance charges. As such, the cost of production covers not only actual expenses in cash and kind but also imputed value of owned assets including land and family labour.

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The National Commission on Farmers under the Chairmanship of Prof. M.S. Swaminathan had recommended that the MSP should be at least 50% more than the weighted average cost of production. This recommendation, however, has not been accepted by the Government because MSP is recommended by CACP based on objective criteria and considering variety of relevant factors. Hence, prescribing an increase of at least 50% on cost may distort market. A mechanical linkage between MSP and cost of production may be counter productive in some cases.

Moreover, the MSP is in the nature of minimum guaranteed price for the farmers offered by the government for their produce in case the market price is below that level, if the market offers higher price than the MSP the farmers are free to sell at that price.

With regards,

Shri Nama Nageshwara Rao,
Member of Parliament (LS),
Leader, Telugu Desam Party,
5, Parliament House,
New Delhi-110001.

Yours *Sincerely*

(SHARAD PAWAR)