MSP formula of NCF

What is the issue?

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- Union budget 2018 has proposed a hike in Minimum Support Price (MSP) for Kharif crops.
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- The government is yet to clarify whether the MSP formula is in lines with the recommendation National commission on Farmers.
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What are the recent announcements on MSP?

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- Minimum Support Price is the price at which government purchases crops from the farmers, whatever may be the market price of the crops.
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- Union Budget 2018 announced to keep the Minimum Support Price (MSP) for all unannounced Kharif crops at least at 1.5 times of the production cost.
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- As of now the hike has been announced only for Kharif crops, other crops such as paddy or millets are yet to get nod in this regard.
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- Government has also assured that if income is less than the support price, that it will make efforts to buy the surplus produced by the farmers.
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What is the MSP formula recommended by NCF?

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- Union government constituted National Commission on Farmers in 2004, which was headed M.S. Swaminathan.
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- The Commission for Agricultural Costs and Prices (CACP), gives three definitions of production costs: A2, A2+FL and C2.
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- A2 costs - It basically cover all paid-out expenses, both in cash and in kind, incurred by farmers on seeds, fertilisers, chemicals, hired labour, fuel, irrigation, etc.
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- A2+FL costs - It cover actual paid-out costs plus an imputed value of unpaid family labour.
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- C2 costs - These costs are more comprehensive, accounting for the rentals and interest forgone on owned land and fixed capital assets respectively, on top of A2+FL.
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- The M.S. Swaminathan Committee report had recommended a minimum support price of 50% profits above the cost of production classified as 'C2' by the CACP.
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What are the other announcements on farmer's welfare?

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- Budget provides for greater use of clean and renewable energy sources.
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- There is an increased allocation for building warehouses and upgrading 22,000 ruralhaats (markets) into Grameen Agricultural markets.
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- National Bamboo Mission to enhance the cultivation and consumption of bamboo products is to be restructured.
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- Decision to integrate fisheries and animal husbandry with Kisan Credit Cards has also been taken.
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Source: The Hindu, The Indian Express

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