

MINIMUM SUPPORT PRICE CALCULATION



Issue

The cabinet committee on economic affairs has announced the increase of minimum support prices (MSP) for various Kharif crops including paddy, cotton, pulses and millets.

Background

The prime focus is the calculation method which is employed by the ministry to calculate the MSP, i.e. the A2+FL system.

Details

- There are various bases for calculating the MSP, which itself is an amount that the government promises to pay to the farmer for their products if their market price falls below a certain level.
- The MSP is usually based on the recommendations by the Commission for Agricultural Costs and Prices. This estimation is usually done based on three types of calculation methods. These are A2 method, A2+FL method and C2 method.
- The CACP takes into consideration factors such as domestic and international prices, intercrop price parity, the overall demand-supply situation, and also the likely effect of the MSP on inflation.
- As per the A2 method, MSP is set 50% higher than the amount farmer spends on farming including spending on seeds, fertilisers, pesticides, and labour.
- C2 method, on the other hand, makes the calculation by including a wider range of inputs. This includes besides factors used to calculate A2, the economic value of the efforts of family members working on the farm

and the value of other spending including rent and other assets. After calculating these, MSP is set at 50% above the derived amount.

- The present MSP has been calculated based on the A2+FL method. The method is a middle ground between the other methods where the MSP is set 50% higher than the amount that derives from adding the amount farmer spend on farming including spending on seeds, fertilisers, pesticides, and labour and the value of labour provided by the family members for agriculture.
- The MSP which has seen an unprecedented increase is expected to help farmers who have been disturbed by various issues.

STUDY IQ

TOP SELLING COURSES



UPSC/IAS
(Pre + Mains)

~~Rs.58,000~~

~~Rs.28,000~~

Rs.17,500

Click
Here



All Govt
Exams

~~Rs.33,000~~

~~Rs.13,000~~

Rs.11,500

Click
Here



SSC & Bank
Combo

~~Rs.22,000~~

~~Rs.8,600~~

Rs.6,700

Click
Here



UPSC Prelims
2020-Test Series

~~Rs.9,000~~

~~Rs.7,000~~

Rs.3,000

Click
Here



Madhya Pradesh
PSC

~~Rs.52,000~~

~~Rs.28,000~~

Rs.16,000

Click
Here



Uttar Pradesh
PSC

~~Rs.52,000~~

~~Rs.27,500~~

Rs.16,000

Click
Here



Bihar PSC

~~Rs.52,000~~

~~Rs.28,000~~

Rs.16,000

Click
Here



CAPF (A.C.)
Exams

~~Rs.340500~~

~~Rs.17,500~~

Rs.12,500

Click
Here



UPSC Opt -
Geography

~~Rs.30,000~~

~~Rs.13,500~~

Rs.11,000

Click
Here



RBI Grade B

~~Rs.24,000~~

~~Rs.11,000~~

Rs.8,500

Click
Here