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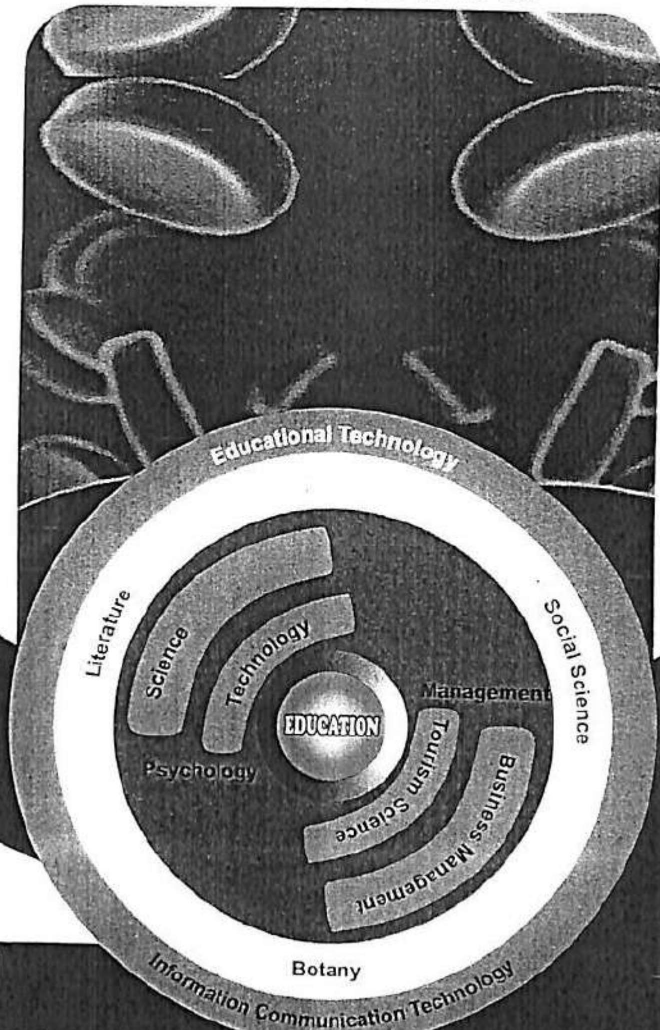

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INDIAN AGRICULTURAL PRICE POLICY

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Introduction :-

The Commission of Agricultural Costs & Princes (CACP since 1985, earlier named as Agricultural Prince Commission) came into existence in January 1965,Curmtly the Commission comprises a Chairman, Member Secretary, one Member (Official) and two Members (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 in line with the emerging demand patterns in the country. Assurance of a remunerative and stable price environment is considered very important for increasing agricultural production and productivity since the market place for agricultural produce tends to be inherently unstable, which often inflict undue losses on the growers, even when they adopt the best available technology package and produce efficiently, Towards this end, MSP for major agricultural products are fixed by the government, each year, after taking into account the recommendations of the Commission.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, nigerseed,), and 4 commercial crops (copra, sugarcane , cotton and raw jute.) Copra, Before preparing aforesaid five pricing policy reports, the Commission draws a comprehensive questionnaire, and sends it to all the state governments and concerned National organizations and Ministries to seek their views, Subsequently, separate meetings are also held with farmers from different states, state governments, Nation organizations, processing organizations, and key central Ministries. The Commissions 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 form 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 bt CACP. Once this decision is taken, CACP puts all its reports on the web site for various stakeholders to see the rational behind CAPs price recommendations.

Cost Concept Costs are generated following certain cost concepts. These cost concepts and the items of costs included under each concept are given below

Cost A1: i. Value of hired human labour.

ii. Value of hired bullock labour.
iii. Value of owned bullock labour.
iv. Value of owned machinery labour.
v. Hired machinery charges.
vi. Value of seed (both farm produced and purchased).
vii. Value of insecticides and pesticides.
viii. Value of manure (owned and purchased).
ix. Value of fertilizer.
x. Depreciation on implements and farm buildings.
xi. Irrigation charges.
xii. Land revenue. cesses and other taxes.
xiii. Interest on working capital.
xiv. Miscellaneous expenses (Artisans etc.)

Cost A2: Cost A1+ rent paid for leased in land.
Cost B1: Cost A1+ interest on value of owned fixed capital assets (excluding land).
Cost B2: Cost B1 + rental value of owned land (net of land revenue) and rent paid for leased-in land.
Cost C1: Cost B1 + imputed value of family labour.
Cost C2: Cost B2 + imputed value of family labour.

REVISED C2:- C2 + Addition value of human labour based on use of higher wage rate,
i.e. statutory wage rate or actual market rate (as derived from cost study data)

C3:- Includes managerial cost (Revised C2+ 10% of Revised C2)

5 . Cost of Production is calculated by multiplying the ratio of Value of Main Product to Cost of Cultivation and the ratio of Value of Main and By-Product to Derived Yield.

6. Assumptions made for estimating costs for Coconut crop:

1. The economic life of a coconut palm has been assumed to be 50 years.
2. A coconut palm stars bearing fruit from the beginning of 8^{th} year.
3. The rate of interest has been taken as 6% per annum for the purpose of working out amortized establishment cost.

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