

Twitter Thread by Ruchit G Garg



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Ever wondered how MSP for crops is calculated ?

Below is an attempt to present a simplified view, followed by some pertinent questions (just to have better understanding, not taking sides)&

The MSP is usually based on the recommendations by the Commission for Agricultural Costs and Prices (CACP)

This estimation is usually done based on three types of calculation methods. These are A2 method, A2+FL method and C2 method.

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 includes A2 factors + economic value of the efforts of family members working on the farm + the value of other spending including rent and other assets. After calculating these, MSP is set at 50% above the derived amount.

A2+FL method is middle ground between the other methods where the MSP is set 50% higher than the amount that derives the amount farmer spend on farming on seeds, fertilisers, pesticides, and labour and the value of labour provided by the family members for agriculture.

The present MSP has been calculated based on the A2+FL method

Now some questions ...

With such varied geography, which requires different inputs, labour, methods... and hence different costs of growing same crop, how do you define a single MSP for a crop across nation ?

MSP without quality attached to it cannot be transacted in market. How do you go about 'freshness' of vegetables?

How do we go about 'oil content' in peanut ■ which often dictates prices by bulk commodity purchases. ?

How does government go about procuring ALL crop at MSP where crop production is in huge surplus (more than we need).
Note that we have ~ 95 million tonnes of grain rotting in FCI