Commission for Agricultural Costs and Prices (CACP) - UPSC Notes

The Commission for Agricultural Costs and Prices (CACP), set up in 1965, is a decentralized agency of the Government of India (GoI). It is an expert body that recommends the Minimum Support Prices (MSPs) by taking into consideration various factors. This topic is important for the UPSC exam.

Commission for Agricultural Costs and Prices - Introduction

The Commission for Agricultural Costs and Prices (CACP) was initially known as the Agricultural Prices Commission. It was renamed as the Commission for Agricultural Costs and Prices in 1985.

- It is a statutory panel under the Ministry of Agriculture & Farmers' Welfare, Government of India.
- The CACP is an expert body that recommends the MSPs of the notified Kharif and Rabi crops to the **Cabinet Committee on Economic Affairs (CCEA)**.
- **The objective of the Commission:** The Commission was established to recommend Minimum Support Prices (MSPs), to motivate cultivators and farmers to adopt the latest technology in order to optimize the use of resources and increase productivity.
- However, its suggestions are not binding on the Government.

Commission for Agricultural Costs and Prices Composition

The CACP is currently composed of five people. It consists of:

1. A Chairman
2. Member Secretary
3. One Official Member
4. Two Non-Official Members

The two non-official members are usually representatives of the farming community and have an active association with the farming community.

Roles and Responsibilities of CACP

The CACP plays a key role in handling market inefficiencies.

- It provides an assurance of a remunerative and stable price environment. This is important for enhancing agricultural production and productivity since the market place for agricultural produce tends to be inherently volatile.
- It helps the farmers obtain a fair price for their crops, even if the market situation is unstable, thereby preventing the farmers from falling into the vicious cycle of debt.
- The Government sets the MSPs on the basis of the recommendations given by the committee. The CACP currently recommends the MSPs for 23 commodities, which include seven grains, five pulses, seven oilseeds, and four commercial crops.

Sl.No.	Categories	Crops
1.	**Cereals**	**paddy, wheat, maize, sorghum, pearl millet, barley, and ragi**

2.	**Pulses**	**gram, tur, moong, urad, lentil**
3.	**Oilseeds**	**groundnut, rapeseed, soybean, sesame, sunflower, safflower, and niger seeds**
4.	**Commercial crops**	**copra, jute, cotton, and sugarcane**

- CACP submits its recommendations to the Government in the form of **Price Policy Reports** each year. The reports consist of five categories of commodities namely Kharif crops, Rabi crops, Sugarcane, Raw Jute, and Copra.
- The CACP, while recommending support prices for a commodity takes a comprehensive overview of the entire structure of the economy of a particular commodity, and likely effects of price policy on the rest of the economy.
- The Commission also makes surprise visits to States for on-the-spot assessment of the various constraints that farmers face in marketing their products or in raising the yield of their crops.

How is the MSP determined?

The Minimum Support Price was first introduced by the Government in 1966-67 for Wheat in the wake of the Green Revolution. It was introduced with the aim to save the farmers from depleting profits.

- The Government buys the crops at the MSP if the prices go down after harvest. This helps the farmers indirectly.
- The Government decides the MSP after taking into consideration the recommendations of the CACP, the opinions of the State Governments and all the other relevant Ministries.
- The **Price Support Scheme (PSS)** for oilseeds and pulses is implemented by the Department of Agriculture and Cooperation through the **National Agricultural Cooperative Marketing Federation of India** (NAFED).
- NAFED is the nodal procurement agency for oilseeds and pulses. Thus, when the prices of oilseeds, cotton, and pulses fall below the MSP, NAFED purchases it from the farmers at MSP.
- The procurement prices are usually announced at the beginning of the sowing season.
- This way, the CACP tends to have a very wide area of responsibility in the economic affairs of the country.

UPSC Questions related to CACP

What is the procurement price?

The procurement price of a commodity refers to the price at which the government procures the commodity from producers/manufacturers for maintaining the buffer stock or the public distribution system. The Minimum Support Prices become the procurement price as the government purchases crops from the farmers at MSPs.

How is the MSP determined?

The Government decides the MSP after taking into consideration, the recommendations of the Commission for Agricultural Costs and Prices (CACP), the opinions of the State Governments and all the other relevant Ministries. This estimation is usually done based on three types of calculation methods. These are the A2 method, the A2+FL method, and the C2 method. After the calculation, MSP is set at 50% above the derived amount.

Why is MSP important?

The idea behind MSP is to give a guaranteed price and assured market to the farmers and protect them from the price fluctuations and market imperfections. Further, with globalization resulting in free trade in agricultural commodities, it is very important to protect the farmers and their interests.

What is an open-ended MSP?

To ensure and encourage the production of crops, the government adopts a liberal procurement policy known as open-ended MSP. Open-ended MSP does not have any procurement targets, instead, the government allows procurement agencies like the FCI, to buy whatever is offered by the farmers for sale at MSP.

What is Agricultural Productivity?

Agricultural productivity is measured as the ratio of agricultural outputs to agricultural inputs.