

**EXPERT COMMITTEE  
FOR  
REVIEW OF METHODOLOGY OF COST  
OF PRODUCTION OF CROPS**

**INTERIM REPORT**



सत्यमेव जयते

**Ministry of Agriculture  
Department of Agriculture & Cooperation  
Government of India  
1990**

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## P R E F A C E

A major objective of the Government in announcing procurement/minimum support price of agricultural commodities is to provide adequate incentives for increasing investment and production in the agricultural sector. One of the important factors that influences the decision relating to the level of these prices is the cost of production of the crop(s) concerned.

The Government of India set up in January, 1990 an Expert Committee for Review of Methodology of Cost of Production of Crops, under the chairmanship of Dr.C.H. Hanumantha Rao, with a view to making the methodology of estimation of cost of production of crops comprehensive and realistic to ensure fair returns to farmers for their produce. The Interim Report submitted by the Expert Committee to the Government in March, 1990 embodies its views on the issues relating to valuation of labour, adjustment in procurement/minimum support prices for escalation in costs between the announcement of the prices and the arrival of the crop in the market and inclusion of management as an input cost.

The Government sought the views of the concerned Ministries and the Standing Advisory Committee, constituted to advise the Ministry of Agriculture on policy matters on the recommendations of the Expert Committee and taking into consideration their views decided as under :-

### I Valuation of Labour.

(a) The basis of valuation of labour should be statutory wage rate or the actual market rate, whichever is higher.

(b) The Commission for Agricultural Costs and Prices (CACP) should specifically assess the latest position every year in regard to the rise in wages including the enforcement of minimum wages in different parts of the country on the basis of their discussions with the various sections, and take this into account while using the input cost index for recommending procurement/minimum support prices.

### II Adjusting Procurement/Minimum Support Prices.

(a) While procurement/minimum support prices announced before the sowing season should provide for the possible rise in the cost of production likely to occur during the cropping season, the CACP should also have a second look at the changes in the input

costs before market arrival of the crop(s) and adjust the procurement/minimum support prices in case the observed rise in the input costs turns out to be higher than the anticipated rise.

(b) The CACP should also publish the methodology, including the weighting diagram and index of prices used by them, in their reports.

III Inclusion of Managerial/Entrepreneurial Functions as an item of cost

In order to account for management input of the farmers, the total cost computed in the Department of Agriculture & Cooperation be raised by 10 percent and a separate cost ( Cost C3 ) be computed by adding this component.

As regards the valuation of labour, the Expert Committee has favoured the actual market wages for valuation. The Government is, however, of the view that the differential between the market wages and the statutory minimum wages exists because of (a) infrequent revision of minimum wages, and (b) laxity in their effective implementation. It should, however, be possible to ensure regular revision of the minimum wages and necessary infrastructure could also be provided for their effective implementation. With this, the difference in the market wage rate and the statutory minimum wage rate would disappear. This will benefit the agricultural labour since they will get the statutory wage rate and the farmers will also be compensated for the rise in wages.

The Government has fully endorsed the views of the Expert Committee regarding the escalation of the procurement/minimum support prices to take into account the rise in the input costs between the submission of the report of the Commission for Agricultural Costs and Prices and the arrival of the produce in the market. This will compensate the farmers for the observed rise in the cost of inputs during the growing season.

The inclusion of management as an item of cost for the first time is a welcome step in the right direction and meets a long standing demand of the farming community. For valuation of management, the Government, however, did not accept the recommendation of the Expert Committee that the basis in this regard should be the paid-out cost. The Government has gone along with the views of the Standing Advisory Committee and decided to compute cost of management at a higher level (i.e. 10 percent of the total cost of production of the crops) to ensure a better deal to the farmer for his management effort and induce him to use improved technology and inputs leading to increases in production and productivity.

The views of the Expert Committee and the Government decision thereon are important landmarks in this Governments' endeavour to give the farmers a remunerative price for their produce in the context of the promises made by the National Front Government to them.

*Devi Lal*  
( Devi Lal )

## I. INTRODUCTION

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1.1 Recognising that cost of production of crops forms an important basis for the determination of the procurement/minimum support prices, and realising that the current methodology of estimation of cost of production needs to be thoroughly reviewed with a view to making it comprehensive and realistic to ensure fair returns to farmers for their produce, the Government of India vide their Resolution No.8-1/90-CS-ES/EA dated 6th January, 1990 constituted the Expert Committee to review the methodology and make suitable recommendations.

1.2 The terms of reference of the Expert Committee, as given in the Resolution of the Government of India, are as follows :-

- (i) To examine the design, content and methodology adopted in regard to generation of cost of production estimates under the Comprehensive Scheme for Studying the Cost of Cultivation/Production of various crops;
- (ii) To review the 'terms of trade' between agricultural and non-agricultural sectors and suggest methods to safeguard the interests of the farmers;
- (iii) Recommend any other measures to improve the remunerativeness of crop production.

1.3 The Government Resolution required the Expert Committee to particularly look into the following aspects and submit its Interim Report on the same by 15th March, 1990 :

- (i) Valuation of labour on the basis of statutory minimum wages or actual wage rate whichever is higher as against only actual wages which have been the basis so far;
- (ii) Adjusting procurement/minimum support prices announced before the sowing season for rise in costs of inputs during the period intervening the announcement of the procurement/support prices and the arrival of the crop in the market;
- (iii) To include managerial/entrepreneurial functions performed by farmers as an input and treat the same as an item of cost.

**II. VALUATION OF LABOUR ON THE BASIS OF STATUTORY MINIMUM WAGES OR ACTUAL WAGE RATE WHICHEVER IS HIGHER AS AGAINST ONLY ACTUAL WAGES WHICH HAVE BEEN THE BASIS SO FAR**

2.1 Human labour used in farming is of two types :  
 (a) family labour and (b) hired labour. The latter, in turn, is of two types : (a) attached labour and (b) casual labour. The payments made to the hired labour, both attached and casual, are the direct costs, while family labour charge is an imputed cost.

**Hired labour**  
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2.2 Exercises based on the data from the cost of cultivation scheme reveal that the weighted average wage rate actually paid to casual labour in most of the

States is higher than the statutory minimum wages (Statement I). This may partly be due to the delayed review of statutory wage rates. This implies that if casual hired labour is valued on the basis of statutory minimum wage instead of ruling market wage, the wage cost would show up to be substantially lower.

2.3 The Committee has examined the issue whether the labour input should be valued on the basis of statutory minimum wage where such wage is higher than the ruling market wage. It may be noted in this context that under the existing method of collection of data on cost of production, the actual wage paid to the labour is recorded. Thus, where statutory minimum wages are enforced leading to the actual payment of such wages by the farmers, they get recorded accordingly under the existing method. Therefore, the enforcement of statutory minimum wages will simultaneously benefit the labourers as well as compensate the farmers.

2.4 On the other hand, the decision to value labour on the basis of statutory minimum wages, regardless of whether they are actually enforced or not, will lead to anomalous situations. Once it gets known that the statutory minimum wages are made the basis for estimating the cost of production, even when they are not enforced, there will be unhealthy pressure for artificially jacking up statutory wages and there can

even be competitive bidding between different States for showing 'higher' cost of production in the expectation of getting higher prices for output. In such a situation, the biggest losers will be the farm labourers. They will lose on both counts by not getting the statutory minimum wage in the first instance and by having to pay higher prices for foodgrains on account of the artificially rising cost of production. Needless to say, the artificially rising costs and prices will have several adverse consequences for the economy as a whole.

2.5 In countries where cost of cultivation is taken into account for price fixation, the practice everywhere is to adhere to the factual and objective method of computing costs on the basis of the actual costs incurred on hired factors. Owned inputs of farmers are valued on the basis of the rates for the comparable hired factors. Among other things, this practice serves to preserve the scientific value of the data collected.

2.6 Rational procedure for fixation of statutory minimum wages and their effective enforcement are the two pre-requisites for benefitting the agricultural labour as well as for compensating the farmers. It is beyond the purview of this Committee to go into these issues. We understand, however, that the National Commission on Rural Labour is examining these issues in depth with a view to making appropriate recommendation to the Government.

2.7           The Committee recommends that the casual hired labour may continue to be valued on the basis of the actual wages paid for different operations, whether they are market wages or the statutory minimum wages. As noted in para 2.2 the weighted average wage rate actually paid to casual labour in most of the States is higher than the statutory minimum wages.

2.8           While fixing procurement/minimum support prices, there is usually a time-lag in the availability of cost data. These cost data are updated on the basis of the index numbers of input prices. Besides, the Commission for Agricultural Cost and Prices (CACP) holds extensive discussions with representatives of various Sections in different states before taking a view on the latest position in regard to input prices. We recommend that the CACP may specifically assess the latest position every year in regard to the rise in wages including the enforcement of minimum wages in different parts of the country on the basis of their discussions with various Sections, and take this into account while using the input cost index for recommending procurement/minimum support prices.

**FAMILY LABOUR**

2.9 As regards family labour, the present practice under the cost of cultivation scheme is to evaluate it at the rates paid to the attached labour. On the basis of the actual number of days worked in a year by the attached labour, the wage cost per day including perquisites is estimated and used for evaluating family labour. The wage cost per day for attached labour turns out to be significantly lower than both the casual labour wage and statutory minimum wage rate (Statement II).

2.10 We need not discuss here the possible reason for the lower cost of attached labour when compared to the casual labour. It is, however, important to note, for the purposes of this Report, the declining importance of attached labour input and increasing casualisation of farm labour. In most cases, the input from attached labour does not exceed 10 percent of total labour input on the farm, whereas casual labour and family labour each account for a substantial proportion of total labour input (Statement III). Moreover, the wage for casual labour reflects the market conditions of supply and demand for labour in each season including the skills of labour for the concerned operation. For the family labour engaged in any operation on ones own farm, it is more reasonable to assume its cost to be the same as for the casual labour because much of the family

labour belonging to the small and marginal farms in fact works as casual labour on other farms at the going wage rates. Thus what is family labour for one farm may be casual labour for another farm and vice versa.

2.11 The Committee, therefore, recommends that the existing practice of valuing family labour on the basis of the wage for attached labour should be done away with and it should be valued on the basis of the actual wage rates for casual labour. This change in method would raise the wage cost substantially, resulting in a rise in the total cost (Statement IV).

**III. ADJUSTING PROCUREMENT/MINIMUM SUPPORT PRICES FOR THE RISE IN COSTS OF INPUTS DURING THE PERIOD INTERVENING THE ANNOUNCEMENT OF THE PROCUREMENT/MINIMUM SUPPORT PRICES AND THE ARRIVAL OF THE CROP IN THE MARKET**

3.1 The procurement/minimum support prices are announced before the sowing season. By the time the crop is harvested and reaches the market, the price regime may undergo change.

3.2 During the intervening period, the costs of farm inputs like those of labour, seed, fertilisers, pesticides, electricity, diesel etc. may rise. Paid-out costs being an important component of total cost of production, a significant rise in input costs would adversely affect farm profits.

3.3 There are two ways of adjusting procurement/minimum support prices for the rise in costs of inputs during the intervening period. One way is to account for the expected rise in input costs while announcing the procurement/minimum support prices and the other is to revise the prices at the time of the arrival of the crop in the market, in the light of the observed rise in input costs. Even though the first method may not be able to accurately predict the likely rise in input costs, it has the merit of providing incentives to the farmers for the adequate use of inputs when their prices rise. The second method, on the other hand, seeks to compensate the farmers for the observed rise in the costs of inputs but may fail to prevent the restriction of input-use on account of the rise in their prices.

3.4 During its discussions with the Commission for Agricultural Costs and Prices (CACP), the Committee was informed that before arriving at decisions on procurement/minimum support prices, they undertake exercises necessary for projecting input costs upto the end of the crop season and take this into account while making their recommendations.

3.5 The Committee was also informed that in the event of unusual changes in farm costs, the Commission presents revised Reports to the Government.

3.6 The Committee is in favour of the existing practice of taking into account the expected rise in input costs in the intervening period while announcing procurement/minimum support prices before the commencement of the sowing season. After all, the very rationale for announcing such prices before the sowing season is to provide incentives to the farmers for investment in inputs. However, this may not fully account for unanticipated changes in input prices. The Committee, therefore, recommends that CACP, as a rule, should have a second look at the changes in input costs before the market arrivals and adjust the procurement/minimum support price, in case the observed rise in input costs turns out to be higher than the anticipated rise.

3.7 The Commission does not publish the methodology, including the weighting diagram, used in the construction of the indices to project the cost/price situation upto the harvest time in their Reports.

3.8 The Committee recommends that the methodology including the weighting diagram and the index numbers used by CACP be published in their Reports.

IV TO INCLUDE MANAGERIAL/ENTREPRENEURIAL FUNCTIONS PERFORMED BY FARMERS AS AN INPUT AND TREAT THE SAME AS AN ITEM OF COST

4.1 Managerial function involves procurement and allocation of inputs and supervision of labour etc. Entrepreneurial function, on the other hand, relates to decision making regarding the crops to be grown and the inputs and technology to be used under uncertainty about yields and prices. It is recognised that management input is an item of cost which should be accounted for, whereas the entrepreneurial function is rewarded in terms of profit which is the residual after deducting all the costs including the cost of management from the value of output.

4.2 The data collected under the cost of cultivation scheme does not adequately account for the managerial effort of the farmers. In the opinion of the Committee, it would be difficult to collect data on management input, as paid managers are rarely to be found, and the labour input of the family for farm operations is inextricably combined with management.

4.3 As a practical way out, it would be reasonable to assume, on the basis of the available data on family labour input, that the head of the family would be putting in about half of this labour. For the management function performed, it would be fair to raise

the value of labour input of the head of the family by 50 per cent. Our calculations based on the data collected under the cost of cultivation scheme show that management input so valued would work out to about 10 per cent of paid-out costs.

4.4 Since management services are needed mainly for procurement and allocation of inputs and the supervision of hired labour, the Committee recommends that paid-out costs may be raised by 10 percent on account of management input and a separate cost (Cost C3) be computed by adding this component.

4.5 The Committee's recommendations regarding the valuation of family labour input (para 2.11) and management input (para 4.4) would result in raising the total cost of production. The combined impact of these two recommendations on the cost of production is illustrated in Statement V.

## V. SUMMARY OF RECOMMENDATIONS

1. The casual hired labour may continue to be evaluated on the basis of actual wages paid whether they are market wages or statutory minimum wages.

2. Family labour be valued on the basis of actual wage rate for casual labour.
3. Procurement/minimum support prices announced before the sowing season should always provide for the possible rise in the cost of production likely to occur during the cropping season. The CACP should also have a second look at the changes in input costs before the market arrival of the crop(s) and adjust the procurement/ minimum support prices in case the observed rise in input costs turns out to be higher than the anticipated rise.
4. The CACP should publish the methodology, including the weighting diagram and the index numbers of input prices used by them, in their Reports.
5. In order to account for management input of the farmers, the paid out costs be raised by 10 percent and a separate cost (Cost C3) be computed by adding this component.

(C.H.Hanumantha Rao)

(D.S.Sidhu)

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(Prem Narain)

(S.P.Pant)

## STATEMENT - 1

## WAGES OF AGRICULTURAL WORKERS : CASUAL &amp; STATUTORY

(IN RS./DAY)			(1986-87)
State	Casual Labour Wage (Based on Cost Data)	Statutory Minimum Wage	
1	2	3	
<b>ANDHRA PRADESH</b>			
Paddy	15.04		
Jowar	10.56	8.50 - 14.00	
Groundnut	11.20\$	(1986)	
Sugarcane	17.20		
<b>ASSAM</b>			
Jute	12.48	12.50 (1986)	
<b>HARYANA</b>			
Paddy	18.88		
Bajra	23.68		
Sugarcane	17.76	14.11	
Rape & Mustard	19.44	(1986)	
Wheat	23.68		
<b>GUJARAT</b>			
Bajra	13.44		
Groundnut	13.36	11.00	
Cotton	10.64	(1986)	
<b>KARNATAKA</b>			
Paddy	12.32		
Jowar	14.72	9.50 - 14.00	
Cotton	8.24	(1985)	
Sugarcane	14.64		
<b>PUNJAB</b>			
Paddy	17.20		
Wheat	20.96	14.60	
Cotton	17.52	(1982)	

1	2	3
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RAJASTHAN

Bajra	14.16	
Maize	11.20	
Wheat	13.92	11.00
Barley	13.60	(1985)
Rape & Mustard	14.16	

TAMIL NADU

Paddy	14.48	
Ragi	11.20	8.00 -11.00
Groundnut	11.20	(1984)
Cotton	9.84	

UTTAR PRADESH

Paddy	8.96	
Wheat	17.76	
Barley	11.20	
Gram	10.48	12.00
Arhar	10.24	(1987)
Rape & Mustard	9.60	
Sugarcane	9.92	

WEST BENGAL

Paddy	12.48\$	11.70
Jute	12.72	(1985)

\$ Relates to 1985-86

## STATEMENT - II

WAGE COST PER DAY FOR ATTACHED LABOUR,  
-----  
CASUAL LABOUR AND STATUTORY MINIMUM WAGE RATE  
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	(IN RS/DAY)		(1986-87)
State	Based on Cost Data		Statutory
	-----		minimum wage
	Attached	Casual Labour	rate
	Labour	Wage	
	Wage		
1	2	3	4
-----			
ANDHRA PRADESH			
-----			
Paddy	5.92	15.04	
Jowar	5.60	10.56	8.50 - 14.0
Groundnut	5.36\$	11.20	(1986)
Sugarcane	5.68	17.20	
ASSAM			
-----			
Jute	12.48	12.48	12.50 (1986)
HARYANA			
-----			
Paddy	9.84	18.88	
Bajra	10.56	23.68	
Sugarcane	11.76	17.76	14.11
Rape & Mustard	9.84	19.44	(1986)
Wheat	10.72	23.68	
GUJARAT			
-----			
Bajra	10.08	13.44	
Groundnut	8.00	13.36	11.00
Cotton	11.04	10.64	(1986)
KARNATAKA			
-----			
Paddy	7.36	12.32	
Jowar	6.40	14.72	9.50 - 14.00
Cotton	7.60	8.24	(1985)
Sugarcane	4.88	14.64	
PUNJAB			
-----			
Paddy	11.60	17.20	
Wheat	12.72	20.96	14.60
Cotton	15.76	17.52	(1982)

1	2	3	4
<b>RAJASTHAN</b>			
Bajra	9.92	14.16	
Maize	8.08	11.20	
Wheat	9.60	13.92	11.00
Barley	9.12	13.60	(1985)
Rape & Mustard	11.12	14.16	
<b>TAMIL NADU</b>			
Paddy	9.52	14.48	
Ragi	6.40	11.20	8.00 - 11.00
Groundnut	10.32	11.20	(1984)
Cotton	8.64	9.84	
<b>UTTAR PRADESH</b>			
Paddy	9.92	8.96	
Wheat	11.52	17.76	
Barley	8.24	11.20	
Gram	8.64	10.48	12.00
Arhar	10.08	10.24	(1987)
Rape & Mustard	9.04	9.60	
Sugarcane \$	14.80	9.92	
<b>WEST BENGAL</b>			
Paddy	9.84\$	12.48\$	11.70
Jute	10.56	12.72	(1985)

\$ - Relates to 1985-86

## STATEMENT - III

## LABOUR USE PER HACTARE # ON CROP PRODUCTION

(PERCENTAGE DISTRIBUTION)

(1986-87)

State	Crop	Total days	Percentage		
			family	attached	casual
ANDHRA PRADESH	PADDY	160.85	30.11	7.77	62.11
	GROUNDNUT	86.17	35.53	9.49	54.98
	SUGARCANE	224.06	12.77	12.50	74.73
ASSAM	PADDY	76.97	69.56	15.36	15.08
	JUTE	160.45	53.26	15.39	31.36
GUJARAT	BAJRA	75.35	57.87	5.80	36.33
	GROUNDNUT	69.78	50.98	12.37	36.66
	COTTON	79.52	40.59	13.88	45.53
HARYANA	WHEAT	50.29	63.06	18.92	18.01
	PADDY	87.45	43.46	12.86	43.68
	SUGARCANE	112.96	68.96	12.26	18.78
KARNATAKA	PADDY	110.88	38.00	2.54	59.46
	SUGARCANE	166.57	29.00	3.69	67.31
	COTTON	57.85	37.32	3.64	59.04
MADHYA PRADESH	WHEAT	47.39	68.31	7.21	24.48
	PADDY	72.03	49.72	9.19	41.09
	COTTON	83.31	51.74	9.38	38.88
MAHARASHTRA	BAJRA	60.53	43.11	4.40	52.49
	JOWAR	63.65	39.38	4.80	55.83
	SUGARCANE	297.13	29.56	8.14	62.30
	COTTON	74.20	34.40	7.60	57.99
ORISSA	PADDY	129.51	39.22	14.39	46.39
	JUTE	204.22	48.29	10.06	41.65
PUNJAB	WHEAT	52.68	50.00	12.63	37.38
	PADDY	101.33	38.03	4.45	57.53
	COTTON	114.90	53.51	14.56	31.92
RAJASTHAN	WHEAT	64.33	83.07	3.62	13.31
	GRAM	27.46	86.06	2.71	11.23
	RAPESEED &	43.12	88.98	1.75	9.27
	MUSTARD				

State	Crop	Total days	Percentage		
			family	attached	casual
TAMIL NADU	PADDY	161.74	26.74	7.83	65.43
	JOWAR	50.30	31.67	2.20	66.13
	GROUNDNUT	112.19	25.83	3.43	70.74
	COTTON	175.66	23.25	4.69	72.07
UTTAR PRADESH	WHEAT	71.98	64.24	2.97	32.79
	PADDY	107.28	58.28	2.18	39.54
	GRAM	61.12	74.73	2.61	22.66
	RAPESEED & MUSTARD	59.79	72.21	3.03	24.75
	WEST BENGAL	PADDY *	140.55	46.55	6.26
	JUTE	186.06	48.80	5.71	45.49

# ESTIMATES ARE PRIVISIONAL  
\* DATA RELATES TO 1985-86

## STATEMENT - IV

IMPACT OF EVALUATING FAMILY LABOUR COST AT CASUAL LABOUR  
 RATES ON TOTAL WAGE BILL AND COST OF PRODUCTION OF CROPS

(in percent)

(1986-87)			
Crop	State	Impact on Total Wage Bill	Impact on Cost of Production
(1)	(2)	(3)	(4)
PADDY	ANDHRA PRADESH	22.86	6.42
	HARYANA	22.87	5.78
	KARNATAKA	13.64	3.45
	MADHYA PRADESH	20.70	5.02
	ORISSA	6.90	2.43
	PUNJAB	9.41	1.79
BAJRA	GUJARAT	5.97	1.78
	RAJASTHAN	23.63	6.87
	UTTAR PRADESH	3.47	1.09
JOWAR	ANDHRA PRADESH	26.75	5.94
	KARNATAKA	1.18	0.28
	MADHYA PRADESH	9.04	2.24
	TAMILNADU	15.92	3.00
WHEAT	HARYANA	57.88	8.24
	MADHYA PRADESH	16.78	2.83
	RAJASTHAN	27.53	4.55
	UTTAR PRADESH	14.56	2.90
GRAM	HARYANA	39.88	7.43
	MADHYA PRADESH	22.72	4.08
	RAJASTHAN	34.17	5.97
	UTTAR PRADESH	6.61	1.43
URAD	ANDHRA PRADESH	25.95	5.59
	MADHYA PRADESH	14.24	3.76
	ORISSA	18.78	4.02
	TAMILNADU	5.16	1.33
	UTTAR PRADESH	15.59	4.66

(1)	(2)	(3)	(4)
GROUNDNUT	GUJARAT	7.02	1.27
	ORISSA	5.41	1.61
	TAMILNADU	6.06	1.52
RAPE & MUSTARD	HARYANA	36.55	5.31
	RAJASTHAN	18.14	3.42
	UTTAR PRADESH	17.79	3.81
COTTON	GUJARAT	-8.38	2.06
	KARNATAKA	12.30	2.72
	MADHYA PRADESH	25.39	5.78
	MAHARASHTRA	0.61	0.18
	PUNJAB	5.57	1.98
	TAMILNADU	3.73	1.05
JUTE	ASSAM	5.66	2.97
	ORISSA	6.56	3.33
	WEST BENGAL	10.76	5.34
SUGARCANE	ANDHRA PRADESH	9.41	2.20
	HARYANA	31.56	7.98
	KARNATAKA	11.27	2.25
	MAHARASHTRA	8.89	2.53

## STATEMENT - V

IMPACT OF EVALUATING FAMILY LABOUR AT WAGE RATE FOR CASUAL LABOUR  
AND INCLUSION OF MANAGERIAL COST ON COST OF PRODUCTION (PERCENT)

(1986-87)

Percentage Impact on Cost of Production				
Crop	State	Family Labour Evaluated at Casual Rates	Management cost @ 10% of the paid out cost	Total Impact
(1)	(2)	(3)	(4)	(5)
PADDY	ANDHRA PRADESH	6.42	6.15	12.57
	HARYANA	5.78	6.29	12.07
	KARNATAKA	3.45	5.41	8.86
	MADHYA PRADESH	5.02	5.36	10.38
	ORISSA	2.43	5.70	8.13
	PUNJAB	1.79	6.45	8.24
BAJRA	GUJARAT	1.78	5.86	7.64
	RAJASTHAN	6.87	3.38	10.25
	UTTAR PRADESH	1.09	4.79	5.87
JOWAR	ANDHRA PRADESH	5.94	5.10	11.04
	KARNATAKA	0.28	5.35	5.63
	MADHYA PRADESH	2.24	4.89	7.13
	TAMILNADU	3.00	3.65	6.66
WHEAT	HARYANA	8.24	6.10	14.33
	MADHYA PRADESH	2.83	5.28	8.11
	RAJASTHAN	4.55	5.47	10.02
	UTTAR PRADESH	2.90	6.01	8.91
GRAM	HARYANA	7.43	3.99	11.42
	MADHYA PRADESH	4.08	5.15	9.23
	RAJASTHAN	5.97	4.65	10.62
	UTTAR PRADESH	1.43	4.79	6.23
URAD	ANDHRA PRADESH	5.59	5.35	10.94
	MADHYA PRADESH	3.76	4.66	8.42
	ORISSA	4.02	4.54	8.56
	TAMILNADU	1.33	7.22	8.55
	UTTAR PRADESH	4.66	3.55	8.21

(1)	(2)	(3)	(4)	(5)
GROUNDNUT	GUJARAT	1.27	6.37	7.64
	ORISSA	1.61	5.11	6.72
	TAMILNADU	1.52	2.21	3.73
RAPE & MUSTARD	HARYANA	5.31	4.56	9.87
	RAJASTHAN	3.42	3.76	7.18
COTTON	GUJARAT	2.06	6.82	4.75
	KARNATAKA	2.72	5.76	8.48
	MADHYA PRADESH	5.78	5.21	10.99
	MAHARASHTRA	0.18	6.96	7.13
	PUNJAB	1.98	5.16	7.14
	TAMILNADU	1.05	4.89	5.94
JUTE	ASSAM	2.97	4.90	7.87
	ORISSA	3.33	4.82	8.16
	WEST BENGAL	5.34	5.31	10.65
SUGARCANE	ANDHRA PRADESH	2.20	5.43	7.63
	HARYANA	7.98	5.07	13.05
	KARNATAKA	2.25	4.48	6.73
	MAHARASHTRA	2.53	6.54	9.08

ANNEXURE I

To be published in Part 1 Section 1 of the Gazette of India

No.8-1/90-CS-ES/EA  
Government of India (Bharat Sarkar)  
Ministry of Agriculture (Krishi Mantralaya)  
Department of Agriculture & Cooperation  
(Krishi Aur Sahkarita Vibhag)

New Delhi, the 6th January, 1990

RESOLUTION

1. The Government of India are of the view that the current methodology of estimation of cost of production of crops which forms an important basis for the determination of the procurement/minimum support price needs to be thoroughly reviewed with a view to making it comprehensive and realistic to ensure fair returns to farmers for their produce. The following aspects need to be particularly looked into:

- 1) Valuation of labour on the basis of statutory minimum wages or actual wage rate whichever is higher as against only actual wages which have been the basis so far.
- 2) Adjusting procurement/minimum support prices announced before the sowing season for rise in costs of inputs during the period intervening the announcement of the procurement/support prices and the arrival of the crop in the market.
- 3) To include managerial/entrepreneurial functions performed by farmers as an input and treat the same as an item of cost.

2. The Government are also of the view that the terms of trade between agricultural and non-agricultural sectors should also be re-examined with a view to evolve and implement measures which insulate the farm sector from any adverse movement therein.

3. The Government have, therefore, decided to set up an Expert Committee for Review of Methodology of Cost of Production of crops to go into the above issues and make suitable recommendations to the Government. The composition of the Committee shall be as under:

- |    |   |                      |
|----|---|----------------------|
| 1. | Dr. C.H.Hanumantha Rao,<br>Institute of Economic Growth,<br>Delhi.  | Chairman             |
| 2. | Dr. D.S.Sidhu,<br>Punjab Agricultural University,<br>Ludhiana   | Member               |
| 3. | Dr. V.Rajagopalan,<br>Ex.Vice-Chancellor,<br>Tamil Nadu University of Agriculture,<br>Coimbatore.                       | Member               |
| 4. | Dr. Prem Narain<br>Director, IASRI,<br>New Delhi.   | Member               |
| 5. | Dr. S.P.Pant,<br>Ex. Professor and Head of the<br>Department of Economics,<br>J.N.Krishi Vishwa Vidyalaya,<br>Jabalpur. | Member-<br>Secretary |

4. The terms of reference of the Committee shall be as follows:

- i) To examine the design, content and methodology adopted in regard to generation of cost of production estimates under the Comprehensive Scheme for Studying the Cost of Cultivation/Production of various crops:
- ii) To review the 'terms of trade' between agricultural and non-agricultural sectors and suggest methods to safeguard the interests of the farmers:
- iii) Recommend any other measures to improve the remunerativeness of crop production.

5. The Committee shall submit its Interim Report to the Government of India (Department of Agriculture & Cooperation) on the three specific issues mentioned in para 1 above by 15th March, 1990, and its full report within a period of four months.

Sd/-  
(R.C.A. Jain)  
Joint Secretary to the  
Government of India

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Endorsement No.

Dated 6th January, 1990.

ORDERED that the Resolution be published in the  
Gazette of India for general information.

Sd/-  
(R.C.A. Jain)  
Joint Secretary to the Government of India

The General Manager  
Government of India Press,  
NEW DELHI.

ACKNOWLEDGEMENTS

The Committee held discussions with the Commission for Agricultural Costs and Prices (CACP) particularly on the item relating to methodology followed by CACP for taking into consideration the likely rise in cost of inputs during the period intervening their own recommendation on procurement/minimum support prices and the arrival of the crop in the market.

Discussions were also held with the Cost Accounts Branch of Bureau of Industrial Costs and Prices with regard to the treatment of managerial/entrepreneurial functions by the small holders in plantations.

The Committee held a long discussion with High Powered Committee for Review of Agricultural Policies and Programmes on the issues pertaining to the Interim Report and was greatly benefitted by the views expressed.

The Committee had discussions with the Economic and Statistical Adviser, Ministry of Agriculture, Department of Agriculture & Cooperation and examined the existing procedures followed in deriving the cost estimates of various crops with particular reference to valuation of labour and managerial/entrepreneurial functions performed by farmers.

**CHECKED**  
**2003-04**

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A special word of thanks is due to the Economic and Statistical Adviser, Ministry of Agriculture, Department of Agriculture and Cooperation on whom fell the main burden of arranging meetings with various organisations, providing the material/empirical data and staff required by the Committee. In addition, the Committee has benefitted greatly by the discussions held with him and his Cost Unit. The Committee would also like to thank all other organisations and individuals for the cooperation extended to it. The Committee would like to put on record its appreciation of the diligence and competence which the Additional Economic and Statistical Adviser Shri M.C.Joshi, ably assisted by Shri Vidya Dhar, Programmer, brought to bear on this assignment.

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