

International Journal of Agriculture Extension and Social Development

Volume 8; Issue 11; November 2025; Page No. 634-639

Received: 21-09-2025
Accepted: 23-10-2025

Indexed Journal
Peer Reviewed Journal

Minimum support prices: The great Indian conundrum

¹Dr. K Malathi and ²C Devi

¹Assistant Professor, Department of Economics, University of Madras, Tamil Nadu, India

²Assistant Professor, Department of Economics, Queen Mary's College, University of Madras, Tamil Nadu, India

DOI: <https://www.doi.org/10.33545/26180723.2025.v8.i11h.2717>

Corresponding Author: Dr. K Malathi

Abstract

The Minimum Support Price (MSP) regime in India has played a pivotal role in shaping the country's agricultural landscape since its inception in the 1960s. Introduced to ensure price stability and safeguard farmers against distress sales, MSP has evolved into a cornerstone of India's agricultural policy. This paper traces the origin of MSP, highlights the reason for its conception, and assesses whether the current functioning attains the goals that had been set for it. The paper sets out to assess whether the sub normal coverage of the regime in terms of crops, farmer beneficiaries and the benefits that seem to accrue to only the niche, is worthwhile for the budgetary burden that this regime regularly imposes. The paper concludes that despite the limited coverage of the scheme, the direct and the indirect benefits that it bestows on the economic system in general and the agricultural ecosystem in particular does have its ripple effect. Designing the regime to be all - pervasive and all - encompassing has to remain in the radar of the policy makers.

Keywords: Agriculture, procurement price, MSP, crops, farmers, food security

Introduction

Indian economy has been categorized as a developing nation, that, at the time of independence opted for a mixed economy with a significant presence of the public sector. Indian economy is the world's fourth largest in the world and the agricultural sector is its jugular vein. Over the years, the contribution of the agricultural sector to the nation's GDP has witnessed a steady decline from 30% (1981) to 16.5% (2019), but, its role as an employment generator continues to remain crucial at 42% (2019). With 60% of India's population residing in rural areas, policy maker's continued focus on agriculture is of strategic importance.

Currently, India is the world's most populous country at 145 crores, a number that reflects the onerous responsibility of the mouths that must be fed. The food shortage that India has had to endure in the 1960s and the treatment meted out by the western nations ensured that food security was the primary goal of the nation; irrespective of India's stage of development. Ensuring food security for the population is not just about producing sufficient quantities to cater to the current consumption, but also to produce to maintain a comfortable buffer that would help to tide over any crises - internal or external, political, or otherwise.

2019 data suggests that more than 40% of India's population is employed in agricultural and its allied activities, directly and indirectly as it provides raw material for industrial sector. Additionally, India's exports primarily comprises of agricultural products. Hence, sound health of the agricultural sector is crucial to the well - being of the economy. Hence it is mandatory for the policy makers to ensure that agriculture is well taken care of as it is a crucial

employment generator, instrumental to achieve food security and is also an important source of foreign exchange reserves.

To this end, the concept of Minimum Support Prices (MSP) is of great importance as it ensures that the farmers get a bare minimum assured return on the cost that has been borne by them; it acts as an incentive to continue with the crop. Also, the crops that are acquired vis a vis the MSP are maintained as buffer stocks across the nation at various food grain godowns. MSP, thus, addresses the issue of ensuring steady farmers income and ensuring food security of the nation in a single stroke.

Objectives of the study

- To provide an overview of the operation of MSP
- To analyse and evaluate the effectiveness of MSP in terms of crop coverage.
- To examine the effectiveness of MSP in terms of farmer beneficiaries.

Methodology

This study aims to empirically analyse the effectiveness of MSP in terms of crop coverage, number of farmer beneficiaries and the impact that MSP has on market prices of crops. The study also aims to analyse the on - ground implementation of MSP in terms of its procurement. Since details pertaining to MSP relating to various crops are required, the authors had to depend on secondary sources from reliable Government reports like NSSO, SASH publications and websites like eNAM.

Review of literature

MSP when conceived by the policy makers in 1960s was packaged as a solution for all problems that an Indian farmer faces at the logistic and economic level. Several decades on, the jury is still out on whether the benefits outweigh the disruptions it induces or it is vice versa or it has continued to maintain status quo.

(Aditya, Subash, Praveen, Nithyashree, Bhuvana & Sharma 2017) ^[1] in their research paper have been able to infer that awareness among farmers of MSP among the farmers of both Rabi and Kharif crops remain abysmally low and have suggested an effective procurement policy together with aggressive awareness creation to enable a greater number of farmer beneficiaries.

(Mehala, Monika, Supriya & Das 2022) ^[2] in their study conducted in Hisar District of Haryana have been able to infer that MSP has been able to fulfill its role of fixing floor price levels, as the farm harvest prices has continued to remain higher than MSP, as intentioned at the time of conception of the scheme.

(Basantaray 2023) ^[3] in the study has been able to conclude that MSP policy has been effective in states like Punjab, Madhya Pradesh and Kerala. While in states like Himachal Pradesh, Uttar Pradesh, Andhra Pradesh, Karnataka, Tamil Nadu, Jharkhand, West Bengal and Odisha, a major portion of small and medium farmers prefer to sell their marketable surplus to private traders.

(Srinivasa, Praveen, Padmaja Nithyashree & Jha 2023) in their research paper have been able to conclude that there is no empirical evidence to suggest knowledge of MSP leads to higher bargaining power for the farmers. The researchers attribute it to the asymmetric power dynamics between the farmers and traders. The same study also concludes that knowledge of MSP does not ensure better gate prices due to insufficient procurement centers in proximity.

While the existing literature offers valuable insights, there are gaps that are evident in terms of the lack of inter state study of the coverage of the MSP scheme. By synthesizing evidence from official data and academic literature the study contributes to a greater understanding of the coverage and the areas where lacunae exists and needs to be addressed.

Origin and evolution of MSP in India

In 1965, the Ministry of Food and Agriculture, Government of India ^[4], set up Agricultural Prices Commission (APC), that had as its mandate to come up with a balanced and integrated price structure that would take in to account, the interest of the Producers and the Consumers alike. Prof.M.L. Dantwala, Head, Department of Economics, University of Bombay was selected to be chairperson of the commission. The commission was to advice the Union Government of the day on price policy of agricultural commodities like - Paddy, Rice, Wheat, Jowar, Bajra, Maize, Pulses, Sugarcane, Oilseeds, Cotton and Jute. From 1st of May 1970 onwards, the commission was placed on a permanent footing. Over the years the commission was involved in the evolution of a stable and positive price policy of agricultural commodities, resulting in its modified and expanded mandate. In 1985 the commission was renamed as Commission for Agricultural Costs and Prices (CACP) and to this date comes up with price advisory for agricultural commodities, both rabi and kharif crops.

Understanding minimum support prices

MSP refers to the prices set by the Government for the 23 agricultural crops. The price set acts as a floor price for the farmers as it ensures that the farmers do not sell below the floor prices in the open market. When the prevailing prices fall below the assured MSP, the designated Government agencies intervene by entering the market and purchasing the product at the MSP. MSP is announced before the sowing season. Adoption of MSP as a strategy by the Government has the following benefits:

1. It sets a floor price for the agricultural products
2. It provides farmers with minimum assured price
3. Foodgrains procured at the MSP is used to maintain a buffer stock and distribute to the vulnerable sections at subsidized rates through the public distribution system (PDS).
4. It is also used an economic instrument to incentivize farmers to adopt socially desirable cropping patterns

Why is MSP considered to be a conundrum?

There are opposing views with reference to the necessity, relevance and importance of MSP. The various issues that are in Favor of the MSP is discussed in the following paragraphs.

The father of the nation, Mahatma Gandhi had famously said that India lives in her villages; this statement continues to remain relevant even more than 75 years since independence. As per the 2011 census there are 16,86,12,897 households with 83,37,48,850 people living in the rural areas. The immense proportion of population residing in the rural areas is suggestive of the population that depends on agriculture for its livelihood. These significant numbers represent the onerous responsibility of the Government to ensure that the farmers have an assured income that will ensure that farming is a continued as a productive and a viable occupation. Towards this end, the Governments announcement of MSP for the designated crops fixes a floor level below which the farmers will not be willing to sell their produce in the open market as they are aware that the designated Government agencies will make the procurement at the MSP level.

The MSP level that is announced by the Government before the commencement of the sowing season empowers the farmers as it provides them with a bargaining leverage with the agents, traders and wholesalers in the open market. Also, the designated procurement agencies like the Food Corporation of India (FCI), National Agricultural Cooperative Marketing Federation of India (NAFED), State Trading Corporations (STC), Central Warehousing Corporation (CWC) among others make direct procurement from the farmers. After procurement steps are taken for their safe storage and eventual distribution as and when the need arises. The act of procurement by either the Government or the Government designated agencies helps the FCI to maintain buffer stock to tide over any kind of emergency that may arise or a simple case of disruption of supply chain. Also, the procurement policy helps in the smooth functioning of the PDS. It is the PDS that has the enviable task to ensure that no Indian goes hungry.

While there are many arguments in favour of the MSP there are a few arguments that are against this practice that the authors have discussed in the subsequent paragraphs.

A major argument against the practice of the MSP is that the policy is not all encompassing, ie, the policy does not cover all the crops that are cultivated in the country. As per the eNAM website managed by the Government of India there

are 231 crops that are traded in the portal of which 35 are foodgrains but MSP is announced only for 22 crops. Following is the data pertaining to the MSP of each crop.

Table 1: Minimum Support Price as Announced by the Government 2021 -22 to 2024 - 25 (Rs. Per Quintal)

S. No.	Commodity	2021-22	2022-23	2023-24	2024 - 25
1	PADDY	1940	2040	2183	2300
2	JOWAR	2738	2970	3180	3371
3	BAJRA	2250	2350	2500	2625
4	RAGI	3377	3578	3846	4290
5	MAIZE	1870	1962	2090	2225
6	TUR (ARHAR)	6300	6600	7000	7550
7	MOONG	7275	7755	8558	8682
8	URAD	6300	6600	6950	7400
9	GROUNDNUT	5550	5850	6377	6783
10	SUNFLOWER	6015	6400	6760	7280
11	SOYABEEN	3950	4300	4600	4892
12	SESAMUM	7307	7830	8635	9267
13	NIGERSEED	6930	7287	7734	8717
14	COTTON	5726	6080	6620	7121
15	WHEAT	2015	2125	2275	2425
16	BARLEY	1635	1735	1850	1980
17	GRAM	5230	5335	5440	5650
18	MASUR (LENTIL)	5500	6000	6425	6700
19	RAPESEED & MUSTARD	5050	5450	5650	5950
20	SAFFLOWER	5441	5650	5800	5940
21	COPRA	10335	10590	10860	11582
22	JUTE	4500	4750	5050	5650

Source: Press Release: Press Information Bureau, Government of India, Ministry of Agriculture and Farmers Welfare

Table 2: Cost of Production for MSP designated crops and MSP for the 2024 - 25 (Rs. Per Quintal)

S. No.	Commodity	MSP announced for the year 2024 - 25	Cost incurred for the year 2024-25
1	Paddy Common	2300	1533
2	Jowar	3371	2247
3	Bajra	2625	1485
4	Ragi	4290	2860
5	Maize	2225	1447
6	Tur(Arhar)	7550	4761
7	Moong	8682	5788
8	Urad	7400	4883
9	Groundnut	6783	4522
10	Sunflower	7280	4853
11	Soyabean (Yellow)	4892	3261
12	Sesamum	9267	6178
13	Nigerseed	8717	5811
14	Cotton (Medium Staple)	7121	4747
15	Wheat	2425	1182
16	Barley	1980	1239
17	Gram	5650	3527
18	Masur (Lentil)	6700	3537
19	Rapeseed & Mustard	5950	3011
20	Safflower	5940	3960
21	Copra (Milling)	11582	7721
22	Jute	5650	3387

Source: Press Information Bureau, Government of India, Ministry of Agriculture and Farmers Welfare

Discussion

The authors have presented 2 tables above. The first table pertains to the MSP that is announced year - on - year basis from 2021 -22 to 2024 - 25. The second table provides data on the expenditure incurred by the farmers with reference to the cultivation of the MSP designated crops and the MSP announced for the year 2024 -25. A casual perusal of the

tables would show that the MSP announced by the Government covers the cost that is incurred for each crop. A rationale that is presented for non - coverage of MSP for all crops is that, MSP apart from ensuring an assured income for farmers it was meant to be a means for building buffer stocks to meet unseen exigencies. Hence MSP is announced for essential and crucial crops that would ensure continued

production, facilitate building buffer stocks and ensure food security for the millions of Indians specially the marginalized and deprived sections of the society through the PDS. Also, when MSP was conceived as Procurement Price in 1964 it was meant also to influence cropping patterns. Over the years there has been a conscious effort on part of the CACP to encourage more and more farmers to opt for oilseeds cultivation and not just the major crops of Rice and Wheat. This initiative can be analysed through the percentage change in MSP between 2021 - 22 to 2024 -25 for the oilseeds. While major crops of Rice and Wheat saw an average of 20% increase in MSP all the oil seeds namely Groundnut, Sunflower seeds, Nigerseeds witnessed an increase between 21% to 26% of MSP.

Another criticism against the once MSP is announced for various commodities prices rarely rise above the floor level; it is argues that MSP fixation deprives a farmer's chances of being able to influence and take advantage of the market forces. Hence, it is surmised that a farmer is likely to be left with no option but to be dependent only on the MSP. To analyse this, the authors have compared the MSP data for the year 2025 - 26 with the open market prices; for this the authors have used the price quotations available vis -a - vis eNAM portal.

Table 3: MSP, Cost of Production and Market Prices for designated crops for the year 2025 - 26 (in Rs.)

S. No.	Commodity	MSP	Cost	Market price
1.	Paddy	2369	1579	4160
2.	Jowar	3699	2466	3950
3.	Bajra	2775	1703	3000
4.	Maize	2400	1508	2665
5.	Groundnut	7263	4842	7785
6.	Sesamum	9846	6564	13069
7.	Cotton	7710	5140	8259
8.	Ragi	4886	3257	4050
9.	Tur	8000	5038	7220
10.	Moong	8768	5845	8115
11.	Sunflower Seeds	7721	5147	5720
12.	Soy (Yellow)	5328	3552	4896

Source: e-NAM | Trade Details, Press Information Bureau, Government of India, Ministry of Agriculture and Farmers Welfare

The above table gives details of MSP for the crops whose prices have been announced, along with their cost of production and prices at which these crops trade in the eNAM portal. In the portal, the prices of various commodities that prevail in different markets can be viewed. Every commodity is available in different markets of the country and in each instance there are three variations in prices - Maximum prices, Modal Pries and Minimum Prices. The authors have taken the prices on 16th June 2025 (as it is the latest possible data). As each commodity is likely to have different prices quoted in each mandi, the authors have taken in to account the highest prices for the commodity. A detailed analysis of the table would suggest that for certain commodities the prevailing market prices are higher than the MSP; while for others the MSP announced is greater than the market prices. So the criticism that the MSP restricts the operation of the market forces cannot be applied to all the commodities. In some cases, the regime is successful in fetching a handsome price for the farmers; while on some occasions it has not been very successful.

Critics of the MSP regime has argued that the beneficiaries are few and are concentrated in only few pockets of the country and is more popular and concentrated for Rice and Wheat. Results of Situation Assessment of Agricultural Households (SASH) and National Sample Survey Organisation (NSSO) (2012) showed that 6% of the farmers benefitted from MSP and Public Procurement Policy. The actual data for the farmer beneficiaries is given in the following table:

Table 4: List of State and Farmer Beneficiaries (in Percentage)

S. no	States	Farmer Beneficiaries
1.	Tamil Nadu	1
2.	West Bengal	1
3.	Bihar	1
4.	Chhattisgarh	38
5.	Punjab	62
6.	Haryana	39
7.	Madhya Pradesh	16
8.	Uttarakhand	10

Source: Gupta, P., Khera, R., & Narayanan, S. (2021) ^[8]. MSP in India: Distilling facts. *Review of Agrarian Studies*.

The criticism of a meagre 6% beneficiaries is overexaggerated as the table suggests that there are wide variations with respect to beneficiaries from different states of the country. While Punjab is apparently the primary beneficiary, farmers in other states like Haryana and Chhattisgarh have also benefitted. To address this wide disparity in the number of beneficiaries between the states, the Government in 1997 - 98 announced a Decentralised Procurement Scheme (DCP) that facilitates direct procurement by the states instead of a centralized procurement scheme. This scheme had a far - reaching impact as more number of states, apart from the traditional states of Punjab and Haryana, started to benefit from the regime, as the scheme witnessed large - scale procurement by the agencies designated by the state Government and there was a significant change in the demographic profile of the beneficiary states that can be viewed from the following table.

Table 5: Public Procurement from states under DCP List of DCP States

S. No.	State/UT	DCP adopted for
1.	Andaman & Nicobar Islands	Rice
2.	Bihar	Rice/Wheat
3.	Chhattisgarh	Rice/Wheat
4.	Gujarat	Wheat
5.	Karnataka	Rice
6.	Kerala	Rice
7.	Madhya Pradesh	Rice/Wheat
8.	Odisha	Rice
9.	Tamil Nadu	Rice
10.	Uttarakhand	Rice/Wheat
11.	West Bengal	Rice/Wheat
12.	Punjab	Wheat
13.	Rajasthan	Wheat
14.	Andhra Pradesh	Rice
15.	Telangana	Rice

Source: Press Information Bureau, Government of India, Ministry of Consumer Affairs, Food & Public Distribution

Even though the report suggests that only 6% of farmers benefit from the MSP regime and that they are located in a few pockets. What the policy makers must not ignore is that the numbers pertain to only rice and wheat and that within numbers there are large variations between states. Also drawing conclusions of MSP coverage of crops at 6% with reference to rice and wheat would be faulty as procurement agencies procure other crops also as shown in the following table.

Table 6: Public Procurement from states under DCP

S. no	Commodities	Percentage of Procurement
1.	Rice	29.5% - 43%
2.	Wheat	29.5% - 43%
3.	Cotton	29.5% - 43%
4.	Channa (Tur Dal)	18% - 19%
5.	Milk	10%
6.	Mustard	7% - 9%
7.	Groundnut	7% - 9%

Source: Gupta, P., Khera, R., & Narayanan, S. (2021) ^[8]. MSP in India: Distilling facts. Review of Agrarian Studies.

When the MSP beneficiaries of other crops like Cotton, Milk, Groundnut are also taken in to account the number of farmers who benefit stands at 25 million that would be anywhere between 15 - 20% and nowhere closer to 6% as was surmised in the report. Also, in terms of coverage of state ever since the introduction of DCP there is visible improvement of inclusion of other states also. NSS (2012 - 13) suggests that 48% of farmers who sell to procurement agencies come from DCP state.

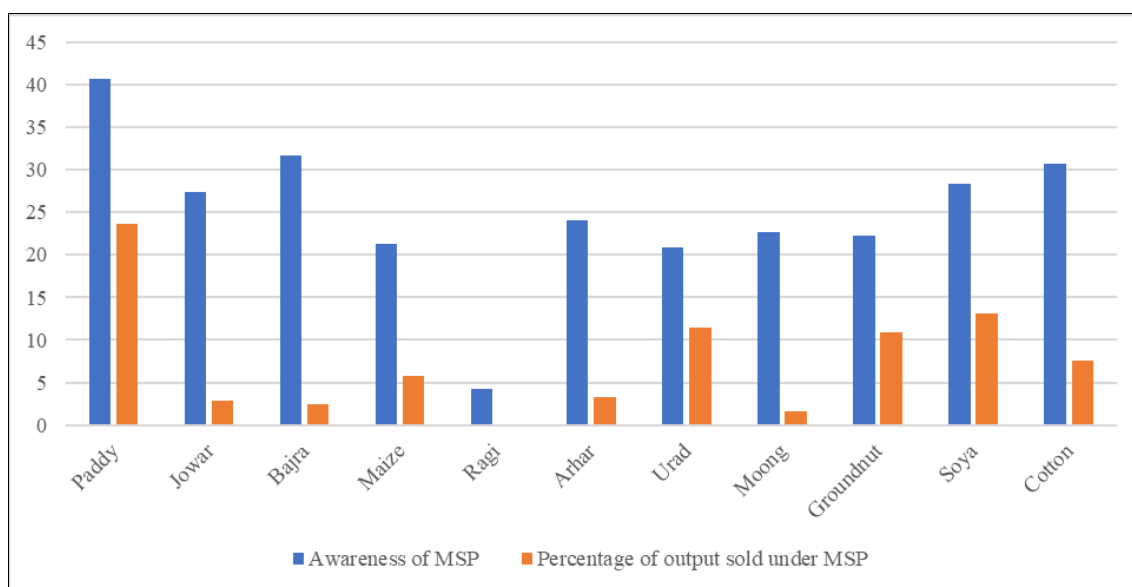
Through presentation of statistical tables, the authors argue

that the number of beneficiaries cannot be set at 6% and that farmers in few states only stand to gain. It is important to recall the indirect benefit of MSP fixation - that is it sets the floor price level beyond which the farmers would hesitate to sell in the open market. Thus, this benefit accrues to even those who do not sell to the Government agencies.

There is general perception that the MSP regime has become redundant and is only a drain on the fiscal resources. This perception is based on arguments of low crop coverage; low farmer coverage and the scheme's success being restricted to a few pockets only. The authors are of the view that the reasons for all the 3 can be attributed to lack of awareness about the MSP regime in large parts of the country. Another aspect of the data presented by SASH and NSSO (2012) report is that even if there is significant awareness among the populace about the regime it has not been reflected in the output that has been sold under MSP. The report had also identified the reasons to be -

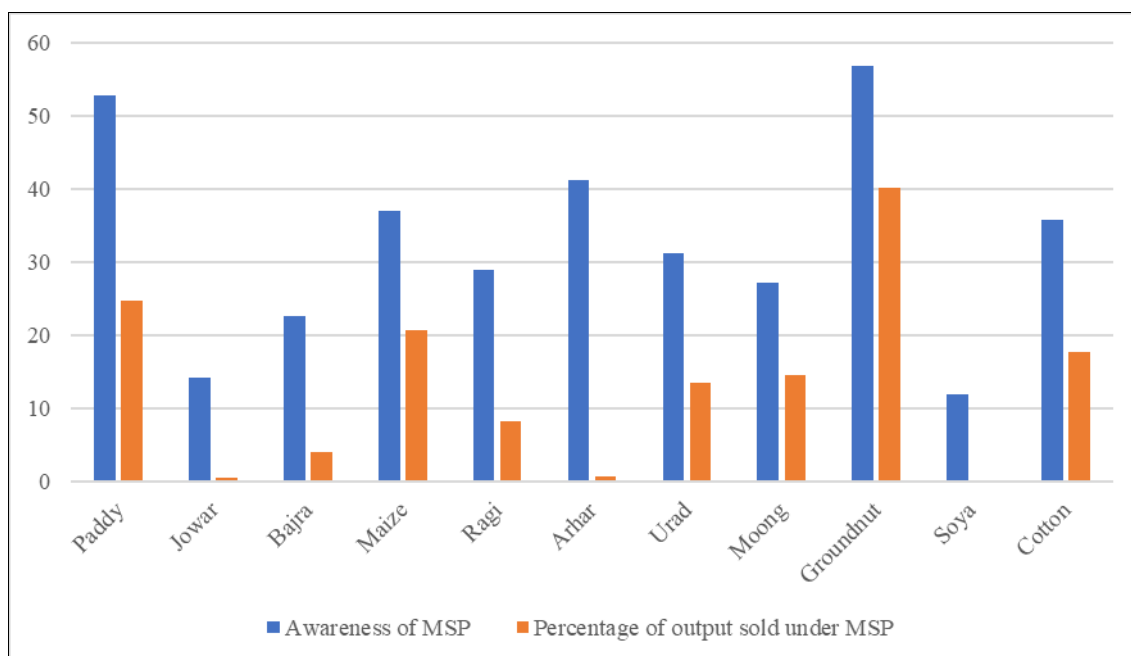
- Lack of Public Procurement Agencies (PPA) within the vicinity for the farmers
- Poor quality of Crops by virtue of which sale is not possible
- Crop is Pre - Pledged
- Farmers receiving better price for their commodity in the open market.

The authors are of the opinion that issues that are responsible for low awareness and lack of willingness to sell to PPAs must be addressed, instead of considering the regime to be outdated. The following diagram throws light on the awareness levels and percentage of output sold to PPAs.



Source: SASH & NSS (2021)

Diagram 1: Diagram showing the MSP awareness among the rural household and output sold under MSP - Crop Wise (in%) July 2018 - December 2018



Source: SASH & NSS (2021)

Diagram 2: Diagram showing the MSP awareness among the rural household and output sold under MSP - Crop Wise (in %) January 2019 - June 2019

Conclusion

The study attempted to analyse the effectiveness of MSP regime in terms of crop coverage and farmer beneficiaries and the authors have been able to conclude that even though the MSP regime is restricted to only a few crops, 23 to be precise; the regime covers the most important crops while keeping the objective of the scheme - to ensure assured income, to influence cropping pattern and ensure food security for a billion population. Also, periodic upgradation of this schemes has ensured that the MSP and procurement drive net has kept widening by bringing more and more farmers and states in to its fold. The critics of the regime would link poor farmer coverage and poor crop coverage to the immense fiscal burden that the successive Governments have had to bear. SBI report of 2024 - 25 suggests that between 2014 - 15 and 2022 - 23 budgetary allotment for MSP fixation has increased from 106 lakh crores to 2028 lakh crores. The continued engagement with MSP would also ensure Indian agriculture remains vibrant and productive and in the process of development and growth India charts its own path as opposed to other economies, which, in their path of growth are in a world with agriculture (WWA).

The authors would like to conclude that even though the burden is immense, for the number of farmer beneficiaries, for ensuring agriculture as a continued productive activity and to ensure that no Indian remains hungry the burden is an essential one. Also the SBI report has made a forecast that if the Government must provide MSP support for all crops then the fiscal burden would stand at a whopping 13.5 lakh crores. But as India aspires to be a developed nation by 2047, the time may be near when the budgetary requirement may not be a burden as the nation stands on the shoulders healthy and a wealthy population.

References

- Aditya KS, Subash SP, Praveen KV, Nithyashree ML, www.extensionjournal.com

- Bhuvana N, Sharma A. Awareness about MSP and its impact on diversification decisions of farmers in India. *Asia Pac Policy Stud.* 2017.
- Das R. Minimum support price in India: what determines farmers' access? *Agric Econ Res Rev.* 2020;61-69.
- Basantaray AK. Is MSP effective in India? Evidence from state-wise paddy procurement. *Asian J Agric Ext Econ Sociol.* 2023;53-65.
- Government of India, Department of Agriculture. Report of the Jha Committee on Foodgrain Prices for 1964-65 Season. New Delhi: Ministry of Food & Agriculture; 1965.
- Government of India, Department of Agriculture, Cooperation and Farmers Welfare. All India Report on Agricultural Census 2015-16. New Delhi; 2020.
- Government of India, Ministry of Agriculture and Farmers Welfare. Agriculture Statistics at a Glance 2022. New Delhi: Economics and Statistics Division; 2023.
- Government of India, Ministry of Statistics and Programme Implementation. Situation Assessment of Agricultural Households and Land Holdings of Households in Rural India, NSS 77th Round. New Delhi; 2021.
- Gupta P, Khera R, Narayanan S. MSP in India: distilling facts. *Rev Agrar Stud.* 2021.
- Korekallu Srinivasa A, Praveen KV, Padmaja SS, Nithyashree ML, Jha GK. Does a farmer's knowledge of minimum support prices affect the farm gate price? Evidence from India. 2023.
- Mehla V, Devi M, Supriya, Das SS. Gap analysis of MSP and harvest price of principal crops in Hisar district of Haryana. *Int Arch Appl Sci Technol.* 2022.
- Press Information Bureau. e-NAM: Trade details.
- Press Information Bureau. Press release. n.d.
- State Bank of India, Economics Research Department. Prelude to Union Budget 2024-25. Mumbai; 2024.