

# MINIMUM SUPPORT PRICE DYNAMICS IN INDIAN AGRICULTURE: A POST COVID ANALYSIS

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## Abstract

Minimum Support Price policy plays a crucial role in ensuring stability in agricultural market by safeguarding the interest of farmers. This study aims to understand the volatility in MSP after COVID. It analyses the variations in MSP of 24 crops since 2021-22. The analysis reported a consistent increase in MSP. Based on the observation, it is recommended that efforts are required in MSP regime to make it more effective. The study would provide valuable insights regarding MSP system to the policymakers in ensuring wellbeing of farmers.

**Keywords:** Food Security, MSP, Commercial Crops, and Implementation

## Introduction

The Minimum Support Price (MSP) is a recommended advice price established by the Union government within agriculture policies. The mechanism seeks to protect farmers' interests by guaranteeing a minimum profit for their produce, while also shielding consumers from fraudulent market inflation and ensuring food security in India. The MSP was established in 1966-67, during a period of significant food scarcity in India. The government aimed to enhance domestic food grain production with input-intensive 'Green Revolution technology, which encompassed superior high-yielding varieties of wheat and rice, chemical fertilizers and pesticides, enhanced irrigation systems, and mechanization, among other strategies (Lather, 2024).

The government, in its Union Budget for 2018-19, established a predetermined policy to maintain the MSP at one and a half times the cost of production. The Government of India sets the MSP for 22 specified agricultural commodities, guided by the recommendations of the Commission for Agricultural Cost and Prices (CACP), along with input from State Governments and pertinent Central Ministries and Departments. In addition, a Fair Remunerative Price (FRP) is provided for sugarcane. The CACP is an affiliated office of the Ministry of Agriculture and Farmers Welfare. The designated crops comprise 14 kharif crops, 6 rabi crops, and 2 additional commercial crops (see Table 1) (Ministry of Agriculture and Farmers Welfare, 2024).

**Table 1: Crops under MSP**

Nature of Crops	Crops
Rabi	Gram, Barley, Wheat, Lentil (Masur), Safflower, Rapeseed & Mustard
Kharif	Cotton, Paddy, Jowar, Maize, Ragi, Bajra, Arhar (Tur), Moong, Urad, Groundnut, Sunflower seed, Soyabean (Yellow), Nigerseed, Sesamum
Other	Copra and Jute

(Source: Ministry of Agriculture and Farmers Welfare, 2024)

The Government offers price assistance for paddy and wheat through the Food Corporation of India (FCI) and State Agencies to fulfil the objectives of the MSP Policy. Under this strategy, food grains supplied by farmers within the specified timeframe and conforming to the Government's criteria are procured at the MSP by State Government agencies and the Food Corporation of India (FCI) for the Central Pool. Additionally, oilseeds, pulses, and copra of Fair Average Quality are procured from registered farmers under the Price Support Scheme within the PM-AASHA Umbrella Scheme, adhering to its guidelines at the Minimum MSP, in conjunction with the pertinent State Governments, when the market price of these commodities falls below the MSP. The Government acquires Cotton and Jute at MSP via the Cotton Corporation of India (CCI) and the Jute Corporation of India (JCI), respectively. The government's pricing policy is to ensure lucrative prices for farmers by purchasing their produce at the MSP.

Farmers possess the discretion to sell their produce to Government procurement agencies at the MSP or in the open market, based on which alternative is more advantageous for them (Ministry of Agriculture and Farmers Welfare, 2024).

MSP trends for major food and non-food crops in India from 2021-22 to 2023-24 will be investigated in this paper. This paper seeks to clarify the policy and economic justification for year-on-year fluctuations in MSPs and the percentage increases among different crops. To fully understand sector-specific dynamics, the analysis groups the crops into cereals, pulses, oilseeds, and commercial crops.

## Research Methodology

This article employs a descriptive and analytical research design to examine trends in MSP for key crops in India over the fiscal years 2021-22, 2022-23, and 2023-24. This study considered various sources of secondary data including the publications of CACP, and Ministry of Agriculture related to MSP for various crops for selected years. This study utilized percentage analysis, a quantitative method to evaluate variations in MSP by focusing on crop-specific trends and policy patterns.

## Analysis and Interpretation of Data

### *Trends in Minimum Support Price for Industrial and Commercial Crops*

The cotton segment, characterized by long staple and medium staple cultivars, has a distinct and steady increase in MSPs. Long staple cotton experienced a total rise of ₹995 or 16.52%, increasing from ₹6025 in 2021-22 to ₹7020 in 2023-24. Comparable increments in medium staple cotton from ₹5726 to ₹6620, a variation of ₹894 or 15.62%. The percentage increase from 2022-23 to 2023-24 was notably pronounced at 10.03% and 8.88%, highlighting heightened policy focus on enhancing cotton cultivation amid global demand and input cost apprehensions.

**Table 2: MSP (in Indian Rupees/Quintal)**

Crops	2021-22	2022-23	Increase in MSP	% Increase in MSP Over 2021-22	2023-24	Increase in MSP	% Increase in MSP over 2022-23
Cotton (Long Staple)	6025	6380	355	5.89	7020	640	10.03
Cotton (Medium Staple)	5726	6080	354	6.18	6620	540	8.88
Nigerseed	6930	7287	357	5.15	7734	447	6.13
Sesamum	7307	7830	523	7.15	8635	805	10.28
Soyabean (Yellow)	3950	4300	350	8.86	4600	300	6.97
Sunflower Seed	6015	6400	385	6.40	6760	360	5.62
Groundnut	5550	5850	300	5.40	6377	527	9.00
Urad	6300	6600	300	4.76	6950	350	5.30
Moong	7275	7775	480	6.59	8558	803	10.32
Tur (Arhar)	6300	6600	300	4.76	7000	400	6.06
Maize	1870	1962	92	4.91	2090	128	6.52
Ragi	3377	3578	201	5.95	3846	268	7.49
Bajra	2250	2350	100	4.44	2500	150	6.38
Jowar (Maldandi)	2758	2990	232	8.41	3225	235	7.85
Jowar (Hybrid)	2738	2970	232	8.47	3180	210	7.07

Paddy (Grade A)	1960	2060	100	5.10	2203	143	6.94
Paddy (Common)	1940	2040	100	5.15	2183	143	7.00
Safflower	5441	5650	209	3.84	5800	150	2.65
Rapeseed and Mustard	5050	5450	400	7.92	5650	200	3.66
Masur (Lentil)	5500	6000	500	9.09	6425	425	7.08
Gram	5230	5335	105	2.00	5440	105	1.96
Barley	1635	1735	100	6.11	1850	115	6.62
Wheat	2015	2125	110	5.45	2275	150	7.05
Jute	4500	4750	250	5.55	5050	300	6.31
COPRA (Milling)	10335	10590	255	2.46	10860	270	2.54
COPRA (Ball)	10600	11000	400	3.77	11750	750	6.81

(Source: Ministry of Agriculture and Farmers Welfare, 2024)

The MSP for jute, a significant industrial crop in eastern India, rose little from ₹4500 in 2021-22 to ₹5050 in 2023-24. Over a span of two years, the cumulative increase of ₹550 (12.22%) indicates a steady, if moderate, support trend. Conversely, copra-both milling and ball varieties- crucial for southern coconut-producing regions, exhibited the lowest growth rates in the MSP. During the three years, milling copra experienced a total increase of ₹ 525 (5.08%), while ball copra rose by ₹ 1150 (10.85%), suggesting potential market dependence and relative price support stagnation.

### ***Pulses and oilseeds***

India's dependence on edible oil imports has recently intensified policy attention on oilseeds. The MSP for Sesamum surged from ₹7307 to ₹8635, reflecting a substantial gain of ₹1328 (18.17%), with a remarkable rise of 10.28% occurring in the 2023–24 year alone. Similarly, the minimum support price for peanuts increased by 14.90%, rising from ₹5550 to ₹6377. In 2023-24, Nigerseed and sunflower seed had modest gains of 6.13% and 5.62%, respectively, indicating a balanced strategy between price support and market alignment.

Pulses exhibited robust MSP momentum, with Moong and Masur demonstrating the most significant increases. Moong's MSP increased from ₹7275 to ₹8558, reflecting a 10.32% growth in 2023-24 and a cumulative gain of 17.63%. Masur increased from ₹5500 to ₹6425, a total increase of ₹925 (16.82%). During the three years, Tur (Arhar) and Urad had minor gains of 11.11% and 10.32%, respectively. The robust MSP support for pulses underscores their nutritional value and significance in diminishing pulse import reliance.

### ***Cereals***

Wheat and paddy, both prevalent and of grade A quality, are fundamental to India's food security strategy. The minimum support price for common paddy increased from ₹1940 in 2021–22 to ₹2183 in 2023–24, reflecting a total rise of ₹243 (12.52%). Wheat exhibited a comparable upward trend, rising from ₹2015 to ₹2275, reflecting an increase of ₹260 (12.91%). The annual increments, while not substantial, are constant and demonstrate the government's commitment to safeguarding farmer incomes for staple commodities with considerable Public Distribution System (PDS) demand.

Coarse cereals such as maize, jowar, bajra, and ragi exhibited favorable changes in Minimum Support Price, but at varying speeds. The MSP for maize increased from ₹1870 to ₹2090, reflecting an 11.76% gain, with a significant 6.52% increase in the 2023-24 period. To rejuvenate millet cultivation during the International Year of Millets 2023, Jowar (maldandi and hybrid) experienced significant cumulative gains of 16.93% and 16.16%, respectively. Bajra's MSP increased from ₹2250 to ₹2500, reflecting a moderate rise of 11.11%.

### ***Leguminous and Forage Plants***

Crops of minor yet strategic significance, barley and gram, received diminished support. Barley's MSP increased from ₹1635 to ₹1850, reflecting a total rise of ₹215 (13.15%). Gram, indicative of either market inadequacy or governmental inefficacy, experienced one of the minimal rises in MSP, from ₹5230 to ₹5440 (4.01%) during three years, notwithstanding its nutritional significance.

### **Comparative Analysis of Yearly Progressions**

In the 2023-24 cycle, the majority of crops had a year-over-year increase in MSP compared to the previous year. For instance, sesamum increased by 10.28% from a prior 7.15%, and long staple cotton experienced a 10.03% rise in 2023-24 compared to 5.89% in 2022-23. This indicates a more assertive policy stance in 2023-24, potentially in reaction to inflationary pressures, rising input costs, or farmer unrest seeking legal assurances for MSP. In contrast, several crops such as rapeseed and mustard, which experienced a 7.92% increase in 2022-23, only recorded a 3.66% increase in 2023-24, indicating a shift in policy towards moderation. Similarly, while supported, soybean and sunflower seed experienced lesser relative rises in 2023-24, likely indicating domestic supply stability or international pricing patterns.

Though MSP increases have a progressive intention, several complaints about the policy's implementation and effect continue. MSP for more than 23 crops is announced; effective procurement is mostly limited to wheat, paddy, and, to some degree, cotton and chana (gram). Lack of procurement infrastructure and storage capacity thus causes many farmers, specifically those raising pulses or oilseeds, not to benefit (Gulati & Saini, 2016).

A few states, Punjab, Haryana, and areas of Uttar Pradesh, have highly concentrated MSP-based procurement. Because of administrative and logistical restrictions, states in eastern and southern India sometimes neglect to fully use MSP systems. Particularly in relation to paddy and wheat, the MSP system has drawn criticism for supporting unsustainable practices, including monoculture farming, stubble burning, and high-water use. Farmers sometimes oppose diversification despite policy nudges because they are guaranteed cereal availability (Bhatt et al., 2021). Rising MSPs also mean more financial strains on the exchequer and the FCI.

### **Conclusion**

A consistent increase in MSP of various crops highlights the commitment of the government in order to provide fair consideration to the farmers, who is among various serious challenges including climate change, increasing production cost and the changing dynamics of global market. The figures reveal a strategic emphasis on pulses and oilseeds, evidenced by substantial percentage increases in Moong, Masur, Sesamum, and Groundnut, suggesting a calculated policy direction aimed at nutritional security and import substitution. The irregularity of MSP increases across crop categories, and the persistent gap between MSP declarations and actual purchases poses substantial challenges. Despite significant MSP increases for certain crops, insufficient procurement infrastructure and inconsistent implementation across states have limited the scheme's effectiveness. The structural inadequacies in India's agricultural marketing system, including inadequate storage facilities and the dominance of intermediaries, have compromised the effectiveness of the MSP as a comprehensive income assurance mechanism. Moreover, the MSP policy must be evaluated within the broader context of ecological sustainability and economic viability. The excessive reliance on MSP-supported crops like wheat and paddy has caused considerable environmental harm, including the depletion of water resources and the degradation of soil quality. The financial strain from increased procurement and storage activities persists in taxing public resources, prompting apprehensions over the sustainability of the existing MSP-focused model. In this setting, while the MSP system is a crucial instrument of agricultural policy, its effectiveness relies on a more integrated and comprehensive plan. This approach must encompass price, access to resources, markets, technology, and institutional assistance. The future of the MSP relies not solely on annual increments but also on fundamental change and innovation in agricultural governance.

A legitimate MSP requires government involvement when market prices fall below a designated threshold, especially during periods of surplus production and oversupply or when prices decline due to external factors. The MSP can act as an incentive for certain commodities vital for nutritional security, including coarse grains, edible oils, and pulses for which the economy depends on imports. Increased investment in animal husbandry, fisheries, and the cultivation of fruits and vegetables is a judicious choice owing to their enhanced nutritional value. The optimal investment strategy is to motivate the private sector to establish efficient value chains using a cluster

method. The government must implement an appropriate transition to agricultural pricing policy, wherein prices are modestly subsidized by the state and primarily determined by market forces.

### Limitations of the Study and Future Research Direction

This study examines MSP trends over various crops in India over a three-year period. However, it has limitations, such as relying on secondary data from Indian government MSP releases, ignoring production costs at the crop and regional level, and having a limited temporal scope. This makes it difficult to determine whether MSPs are economically remunerative or merely nominal increases without matching MSP trends to changing input costs. The study also uses a macro-level, crop-wise approach without distinguishing between regional, state-specific, or agro-climatic zone-specific variances, reducing the generalizability of results. Additionally, the research does not interact with stakeholders, such as legislators, procurement organizations, or farmers, which could enhance the knowledge of useful constraints in MSP application.

Future MSP studies should focus on the impact assessment of MSP hikes on farmer incomes, comparative studies between crops with strong procurement and those with weak or none, cost-benefit studies linking MSPs to cost of production data over agro-climatic zones, longitudinal studies lasting 10-15 years, GIS-based regional MSP impact mapping, and multidisciplinary research combining agronomic, economic, and ecological dimensions. These approaches could guide the creation of a more sustainable, fair, and adaptive MSP framework fit for national food security objectives and environmental preservation needs.

### Policy Implications

Increased minimum support prices for commodities such as soybean, sesame, and mung align with the government's diversification objective. Policymakers aim to transition farmers from cultivating water-intensive crops such as paddy, especially in ecologically vulnerable regions like Punjab and Haryana, by incentivizing the cultivation of pulses and oilseeds.

Incremental adjustments in MSPs for fundamental grains such as Wheat, Paddy, and Maize indicate a strategic effort to mitigate excessive retail inflation. Food inflation remains a politically sensitive issue, appearing to be managed by the government in a balance between consumer protection and agricultural welfare.

The significant increases in MSP for oilseeds such as Groundnut, Soybean, Sunflower, and Sesamum indicate a strategic effort to enhance domestic productivity. Initiatives like as the National Food Security Mission (NFSM) and Atmanirbhar Bharat support these tendencies. Steady rises in MSPs across several categories indicate an inherent recognition of escalating input costs, such as labor, diesel, fertilizers, and seeds. It aligns with the Doubling Farmers' Income objective, while the actual outcomes of implementation remain uncertain.

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