



What is MSP and How it is Helpful to Farmers

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Minimum Support Price (MSP) is a form of market intervention by the Government of India to insure agricultural producers against any sharp fall in farm prices. The minimum support prices are announced by the Government of India at the beginning of the sowing season for certain crops on the basis of the recommendations of the Commission for Agricultural Costs and Prices (CACP). MSP is price fixed by Government of India to protect the producer - farmers - against excessive fall in price during bumper production years. The minimum support prices are a guarantee price for their produce from the Government. The major objectives are to support the farmers from distress sales and to procure food grains for public distribution. In case the market price for the commodity falls below the announced minimum price due to bumper production and glut in the market, government agencies purchase the entire quantity offered by the farmers at the announced minimum price.

Historical perspective of MSP

The Price Support Policy of the Government is directed at providing insurance to agricultural producers against any sharp fall in farm prices. The minimum guaranteed prices are fixed to set a floor below which market prices cannot fall. Till the mid 1970s, Government announced two types of administered prices:

- (1) Minimum Support Prices (MSP)
- (2) Procurement Prices

The MSPs served as the floor prices and were fixed by the Government in the nature of a long-term guarantee for investment decisions of producers, with the assurance that prices of their commodities would not be allowed to fall below the level fixed by the Government, even in the case of a bumper crop. Procurement prices were the prices of kharif and rabi cereals at which the grain was to be domestically procured by public agencies (like the FCI) for release through PDS. It was announced soon after harvest began. Normally procurement price was lower than the open market price and higher than the MSP. This policy of two official prices being announced continued with some variation upto 1973-74.

CROPS COVERED

Government announces minimum support prices (MSPs) for 22 mandated crops and fair and remunerative price (FRP) for sugarcane. The mandated crops are 14 crops of the kharif season, 6 rabi crops and two other commercial crops. In addition, the MSPs of toria and de-husked coconut are fixed on the basis of the MSPs of rapeseed/mustard and copra, respectively. The list of crops are as follows.

Cereals (7) - paddy, wheat, barley, jowar, bajra, maize and ragi

Pulses (5) - gram, arhar/tur, moong, urad and lentil

Oilseeds (8) - groundnut, rapeseed/mustard, toria, soyabean, sunflower seed, sesamum, safflower seed and nigerseed,

Raw cotton, Raw jute, Copra, De-husked coconut, Sugarcane (Fair and remunerative price), Virginia flu cured (VFC) tobacco

MSP FOR OILSEEDS CROPS



Table1. Minimum Support Prices (According to crop year) (Rs. per quintal)

S. No.	Crops	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
1	Groundnut	4220	4450	4890	5090	5275	5550	5850	6377
2	Mustard	3700	4000	4200	4425	4650	5050	5450	5650
3	Soy bean	2775	3050	3399	3710	3880	3950	4300	4600
4	Sunflower seed	3950	4100	5388	5650	5885	6015	6400	6760
5	Safflower	3700	4100	4945	5215	5327	5441	5650	5800
6	Sesamum	5000	5300	6249	6485	6855	7307	7830	8635
7	Niger seed	3825	4050	5877	5940	6695	6930	7287	7734
8	Cotton seed (Medium staple)	3860	4020	5150	5255	5515	5726	6080	6620
9	Cotton seed (Long staple)	4160	4320	5450	5550	5825	6025	6380	7020

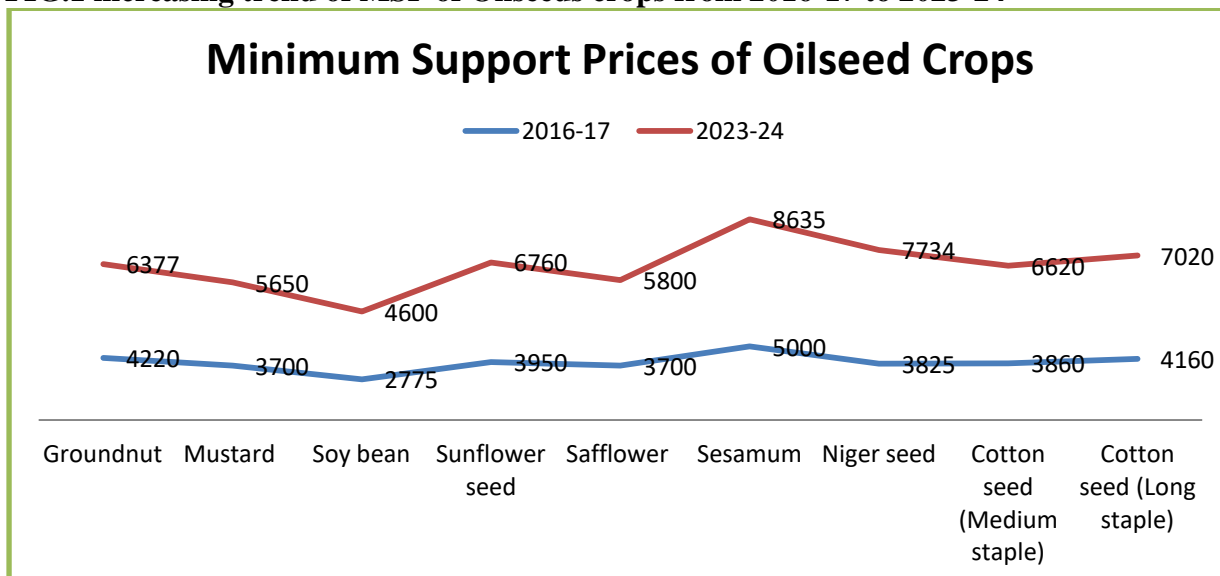
Source: CACP Govt.

Government has increased the MSP of Rabi Crops for Marketing Season 2024-25, to ensure remunerative prices to the growers for their produce. The absolute highest increase in MSP has been approved for lentil (masur) at Rs.425 per quintal followed by rapeseed & mustard at Rs.200 per quintal. For wheat and safflower, an increase of Rs.150 per quintal each has been approved. For barley and gram an increase of Rs.115 per quintal and Rs.105 per quintal respectively, has been approved. Sowing season in India of crops varies from state to state and the harvesting of the crop also depends on variety. Thus a harvested crop sown in kharif may reach in the market even before October. MSP of Kharif Crops for 2023-24 is applicable from 1 September 2023. MSP for all mandated Rabi crops is for Rabi Marketing Season (RMS) 2024-25.

Refers to cost which includes all paid out costs such as those incurred on account of hired human labour, bullock labour/machine labour, rent paid for leased in land, expenses incurred on use of material inputs like seeds, fertilizers, manures, irrigation charges, depreciation on implements and farm buildings, interest on working capital, diesel/electricity for operation of pump sets etc. miscellaneous expenses and imputed value of family labour.

The increase in MSP for mandated Rabi Crops for Marketing Season 2024-25 is in line with the Union Budget 2018-19 announcement of fixing the MSP at a level of at least 1.5 times of the All- India weighted average Cost of Production.

FIG.1 increasing trend of MSP of Oilseeds crops from 2016-17 to 2023-24



The Government is promoting crop diversification towards oilseeds, pulses and three anna/millet to enhance food security, increase farmer's income, and reduce dependence on imports. Besides the price policy, the government has undertaken various initiatives such as the National Food Security Mission (NFSM), Pradhan Mantri Krishi Sinchayee Yojana (PMKSY), and the National Mission on Oilseeds and Oil Palm (NMOOP) with the objective to provide financial support, quality seeds to encourage farmers to cultivate oilseeds and pulses. Moreover, to extend the benefits of the Kisan Credit Card (KCC) Scheme to every farmer across the nation, Government has launched the Kisan Rin Portal (KRP), KCC Ghar Ghar Abhiyaan, and Weather Information Network Data Systems (WINDS) with the aim to provide timely and accurate weather information to empower farmers in making timely decisions regarding their crops. These initiatives aim to revolutionize agriculture, enhance financial inclusion, optimize data utilization, and improve the lives of farmers across the nation.

References

1. Cabinet committee on Economic Affairs. 18-10-2023.
2. Agriculture statistics at a glance 2022 (CACAP)
3. Farmers Portal