

## MSP vs Farmer's Sweat: Is the price worth the pain?

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### Introduction:

Agriculture has been the backbone of India's economy for centuries, with millions of farmers relying on the produce of their fields to sustain their livelihoods. One of the most crucial aspects of agricultural policy in India is the Minimum Support Price (MSP), which directly impacts farmers by ensuring that they receive a fair price for their crops. The MSP is assumed to act as a safety net for farmers, to ensure that they are protected against extreme price volatility in the agricultural market. The centrally governmented body Commission for Agriculture Cost and Prices (CACP) recommends the MSP ( FRP for sugarcane ) for several crops which concludes various factors to fix the MSP , i.e cost of producing a

crop (seeds, fertilizers, labour cost, irrigation, leased land, fuel, etc).

### What is MSP ?

MSP is the price announced for several crops by the Government of India on the recommendation of CACP. Its objective is to protect farmers from price fluctuations and market volatility, ensure they receive a remunerative price for their produce, and safeguard their income and to reduce the distress of the farmers. It is the minimum price which government considers as remunerative by providing 1.5 times of the cost of production of crops and purchase the grains from the farmers . Commission for Agriculture Costs and Prices (CACP) recommends MSP for 23 crops ( 22 mandated crops, fair and remunerative (FRP) for sugarcane) but it is announced for 25 crops (for toria and dehusked coconut ,the MSP for Toria is based on the MSP for rapeseed & mustard, and the MSP for de-husked coconut is based on the MSP for copra) . It is announced at the beginning of the sowing season.



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After the recommendation of CACP and consultation with several other ministries and state governments the Cabinet Committee of Economic Affairs (CCEA) takes the final decision on MSP and finally the Government of India announces the MSP for the selected crops. The Food corporation of India (FCI), other nodal agencies, state agencies purchase the grain from farmers.

### Benefits of MSP :

- ☞ **Income Security:** MSP guarantees farmers a minimum price for their crops, ensuring a stable income and protecting them from market price fluctuations.
- ☞ **Price Stability:** MSP helps stabilize the prices of agricultural products, preventing extreme fluctuations and ensuring affordable prices for consumers.
- ☞ **Encourages Production:** Minimum Support Price motivates farmers to increase their agricultural production by providing them with a fair price for their produce.
- ☞ **Food Security:** MSP promotes a steady food supply by encouraging farmers to produce staple crops, reducing dependence on imports, and enhancing domestic food security.

### Issues with MSP Regime :

☞ **Procurement Focus:** The current MSP regime is primarily aimed at fulfilling the requirements of the **National Food Security Act (NFSA)** rather than aligning with domestic market prices. It functions more like a procurement price than a genuine MSP.

☞ **The Dominance of Wheat and Paddy:** The skewed focus on MSP for rice and wheat leads to excessive production of these crops, discouraging farmers from cultivating other crops and horticulture products that have higher demand.

☞ **Ineffective Implementation:** According to the Shanta Kumar Committee's 2015 report, only 6% of farmers benefit from the Minimum Support Price. This means that 94% of farmers in the country do not receive the intended advantages of the MSP.

### Calculation of MSP

MSP is decided on the basis of several other factors i.e. cost of production of a crop, seeds, fuel, fertilizers, land on lease, labour cost, etc.

### It has three methods to fix the MSP:

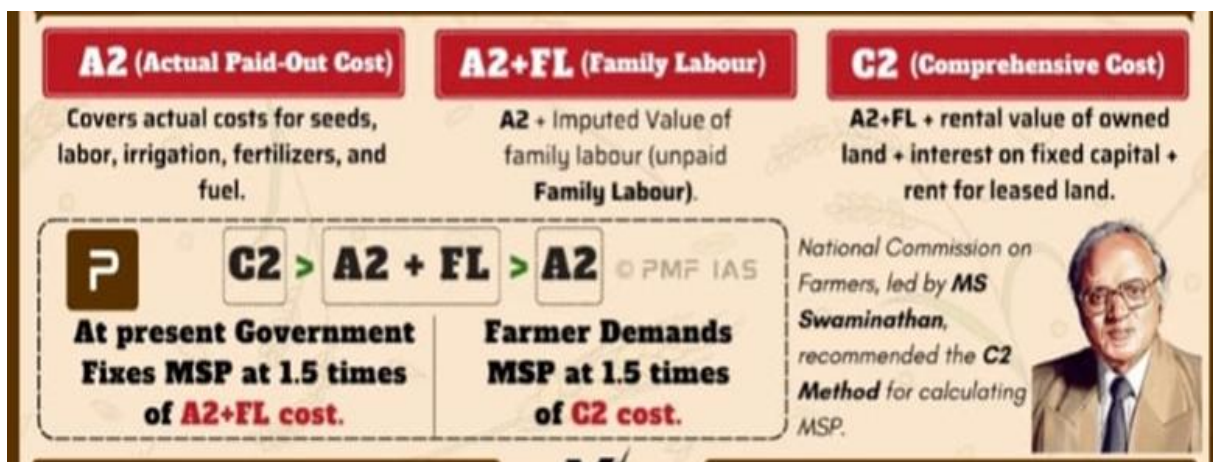
**A2 method :** Covers all paid-out costs directly incurred by the farmer in cash and kind on seeds, fertilisers, pesticides, hired labour, leased-in land, fuel, etc.

**A2 + FL :** It includes A2 method and unpaid family labour.

**C2 :** It is a more comprehensive cost that factors in rentals and interest forgone on owned land and fixed capital assets, on top of A2+FL.

The Government of India follow the 2<sup>nd</sup> method to calculate the msp while the farmers are demanding for the 3<sup>rd</sup> method to be followed . The C2 method is recommended by Dr. MS .Swaminathan Comitee.

And after facing all these the major challenge they face is MSP . Producing foods and being the owner of it themselves after months of tiredless hardwork they still don't have the right to choose the price of selling for their produce and has to depend on another party . Current MSP and its objectives has still many imbalances between government, farmer and mediaters (adhatiyas). Farmers selling their produce at the base of MSP to government is only 6% and the farmers selling their produce to outsiders such as adhatiyas or



**Is the current MSP really enough for the farmer's sweat ?**

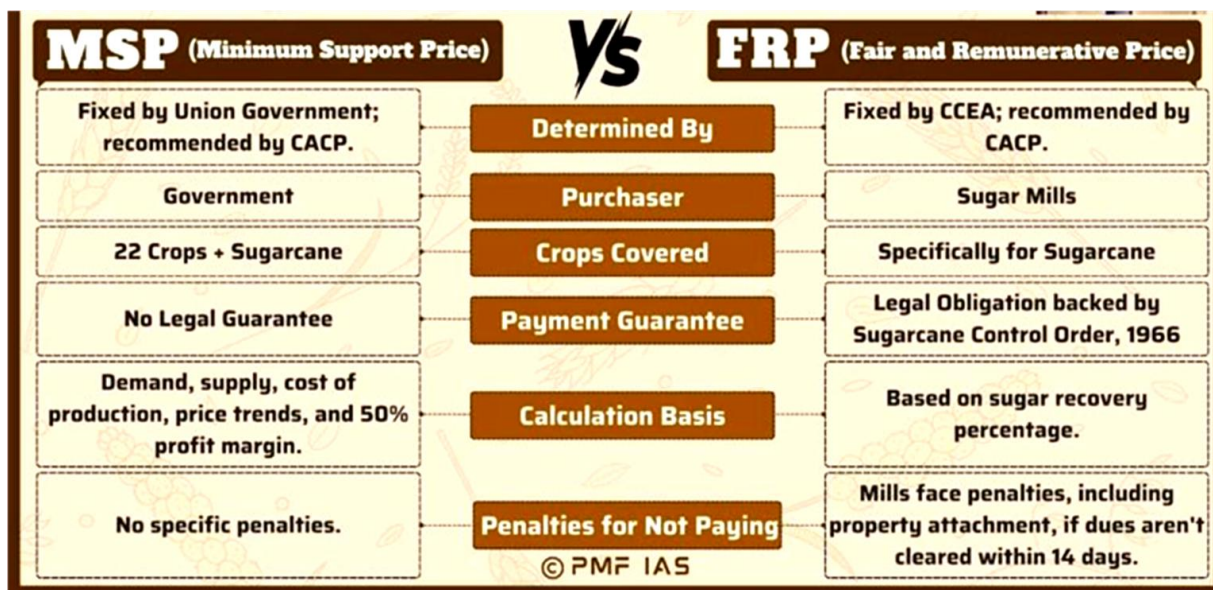
Being a farmer , who takes the responsibility for feeding not only his family but also the entire country is not a fix day hour job but it is the months of untimed hard work in the field, in the extreme of weather conditions whether it is hot or cold and still after any casualty such as crop failure , sudden climate change ,etc. makes all the hardwork futile.

private firms are 94% this is mainly due to lack of proper rules in MSP causing them distress many times and leading to protests resulting in chaos between them and government . The protest held few years back by the farmers in 2020 for farm laws which was repealed in 2021(which was major concerns between the MSP and market reforms ) is the evidence enough to show the disbalance farmers and government . One of the major issue is ,if a private firm, individual

or even any government body purchases the grains at below the MSP in any condition there is no any legal law to take strict action on them. Although there is relief factor for the sugarcane farmers only as there are the rules present which favour them in which one them is, if a firm declined to pay the FRP decided by the government or in case of any due the firm has to pay penalties including proper attachments. (See fig. 1.A).

## Conclusion

Legalizing the MSP could be a better and beneficial step for the farmers which will provide them assurance of getting fixed minimum price for there produce as well as it can reduce the distress by providing them some relief from extra debt occurred on them . According to NCRB data 2023, it was reported that 6,083 agriculture labourers passed away by taking their own lives. Legalisation of MSP



(Fig. 1.A)

## Crops for which MSP is announced

1. **7 cereals** (paddy, wheat, maize, bajra, jowar, ragi and barley),
2. **5 pulses** (chana, arhar/tur, urad, moong and masur),
3. **7 oil seeds** (rapeseed - mustard, groundnut, soyabean, sunflower, sesamum, safflower and nigerseed)
4. **4 commercial crops** (cotton, sugarcane, copra and raw jute).

cannot only reduce the stress on farmers but can also decrease the number of suicides and self-harm.

It may be a bit challenging for government but it is not something that is completely impossible . Some measures can be taken to strengthen the MSP system .

**Implement a Deficiency Price Payment (DPP) System:** The government can compensate farmers

for the gap between MSP and market prices through a direct transfer mechanism.

✦ This reduces fiscal burden by avoiding large-scale procurement while ensuring farmers receive fair compensation.

✦ States like Madhya Pradesh have experimented with the Bhavantar Bhugtan Yojana, demonstrating its feasibility.

✦ **Enhancing APMCs: Modernizing Agricultural Produce Market Committees (APMCs) and integrating them with e-NAM (National Agriculture Market)** can create transparent and competitive marketplaces, building upon Gujarat's APMC reforms and Model APMC Act.

✦ **Increasing the number of APMC markets, improving their efficiency, and providing farmers with digital literacy** can empower them to negotiate better prices while reducing middlemen exploitation.

✦ **Encourage Crop Diversification Through MSP Incentives:** Higher MSPs for pulses, oilseeds, and millets can shift focus from water-intensive crops like rice and sugarcane.

✦ This aligns with sustainable agriculture goals, reducing environmental degradation.

✦ **Expand Warehousing and Storage Capacities:** Investing in modern warehousing infrastructure through public-private partnerships can address the significant storage deficit.

✦ Expanding cold storage chains for perishable crops ensures MSP coverage for horticultural products.

✦ Improved storage facilities minimize post-harvest losses and ensure better price realization for farmers.

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