

# Minimum Support Price

- MSP stands for Minimum Support Price, which is the price set by the government to ensure that farmers receive a minimum guaranteed price for their crops.
- The Minimum Support Price (MSP) is the price at which the government purchases crops for the farmers, to insure farmers against any sharp fall in farm prices.
- The idea of MSP was first proposed in 1966 and it was inspired by the Green Revolution. The government is in charge of maintaining the Minimum Support Price to keep a lid on important agricultural commodities each year, equally affecting both the Kharif and the Rabi crops.
- MSP is a type of insurance that the government offers to farmers in the event that a price fluctuation could directly impact them and subsequent production. In this manner, the market prices are constrained from falling below the fixed price, giving farmers the best possible situation.

Commission for Agricultural Costs and Prices (CACP)

Handwritten notes in purple ink:

- Top right: 110, 130, 140 (circled) with arrows pointing right.
- Top left: 150, 160 (circled) with arrows pointing left.
- Left side: 'A' (circled) with an arrow pointing to 'Product'.
- Below 'Product': 'Rice, wheat'.
- Below 'Rice, wheat': 'Investment'.
- Bottom left: 'Drought + Money'.
- Top right: 'সর্বনিম্ন মূল্য' (Sarbanimna Mulya) written vertically.

# CROPS COVERED UNDER MSP

## KHARIF CROPS (14)

1. Paddy ✓
2. Jawar ✓
3. Bajara ✓
4. Ragi ✓
5. Maize ✓
6. Arhar ✓
7. Moong ✓
8. Urad ✓
9. Cotton ✓
10. Ground Nuts ✓
11. Sunflower ✓
12. Soyabean ✓
13. Sesamum ✓
14. Nigerseed ✓

## RABI CROPS (7)

1. Wheat
2. Barley
3. Gram
4. Masur
5. Rapeseed & Mustard
6. Safflower
7. Torai

## CALENDAR YEAR CROPS (4)

1. Copra ✓
2. De-husked Coconut ✓
3. Jute ✓
4. Sugar Cane (FRP) ✓

- CACP recommends MSP for **22** crops before the sowing period each year
- MSP derived for Toria based on MSP for Rapeseeds and Mustard and for De-husked Coconut on the Basis of MSP of Copra.
- Fair and Remunerative prices for Sugar is also declared

# Importance of Minimum Support Price:

- **Fixed Remunerations:** It provides security to farmers from the risk of crop failure and less production.
- **Informed decision making:** MSP are announced at the beginning of the sowing season, this helps farmers make informed decisions on the crops they must plant.
- **Diversification of crops:** The MSP announced by the Government of India for the first time in 1966-67 for wheat has been extended to around 24 crops at the present.
- **Benchmark for private buyers:**
- **Targeted crops:** MSP is used as a tool to incentivize production of specific food crops which is short in supply
- **Enhance purchasing power:** Slow farm growth and increasing farmer's distress demand for more MSP for farmers.



# Various issues associated with Minimum Support Price:

- **Non-proportional increase:** The support prices that are being provided do not increase at par with increase in cost of production.
- **Reach:** The benefits of this scheme do not reach all farmers and for all crops.
- **Excess storage:** MSP without sufficient storage has resulted in huge piling of stocks
- **Market distortion:** It distorts the free market by favoring some particular crops
- **Fiscal burden:** Open-ended procurement of paddy and wheat at MSPs
- **Impact agricultural exports:** Hikes in MSP also adversely affect the exports
- **Ecological problem:** MSP leads to non-scientific agricultural practices
- **Crop diversity:** MSP affects the crop diversity of India