



Original Article

A study of Minimum Support Price Trends & Issues in India

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The central government has implemented the Minimum Support Price Policy to provide a reasonable price to the farmers from their farms. The government had adopted the Minimum Support Price Policy to supply the food grains that were in short supply due to the Green Revolution in 1960. While deciding this policy, the government considered all aspects of the farmers, but the needs of the farmers were confused, will the goods produced by the farmers in large quantities get a fair footing? This question was before the farmers. The farmers felt that the farmers should get the minimum cost of production for the goods produced by the farmers. To resolve the problems of the farmers, the government appointed a committee under the chairmanship of L. K. ZA in August 1964. This committee submitted its report to the government. The government implemented the recommendations of this committee and accepted the Minimum Support Price from 1964. World Wide Any country implements the Minimum Support Price Policy at the international level and no laws have been made to determine the support price. If we consider developed countries, we see that in America, agricultural products are insured to help farmers, and 80% to 90% of the cost of this insurance is borne by the government. If there is a drought in the country, the government purchases agricultural products from farmers through government agencies at the fixed price of agricultural products. According to international rules, any country can provide 90% subsidy of its agricultural production GDP, in European countries, subsidies are given to farmers on the condition of eco-friendly farming. In China, farmers are given subsidies for seeds, water, and agricultural equipment. In the United States, income support is given to farmers, that is, a certain amount is given to farmers. India and 54 other countries in the world only provide subsidies to farmers.

Key Word: minimum Support price, Trends, Issues.

Introduction

The Indian economy is mainly based on agriculture. The largest number of people are engaged in agriculture, with the proportion of people engaged in agriculture being about 48.718. In India, cotton, sugarcane, sesame, wheat, jowar, tur etc. are produced in agriculture on a large scale. In India, a large number of farmers sell their goods in various markets such as weekly markets, mandis, and agricultural produce markets. Sell. Farmers' goods get a price according to the season. In the early period of India, many natural disasters like droughts and floods occurred, due to which there was a large shortage of food grains in India, and people started dying due to lack of food. It was against this background that the Minimum Support Price System emerged in India. Due to droughts and changes in import-export policies, the prices of agricultural goods change. These changed prices of agricultural goods were not affordable for the common man. As a solution to this, the government adopted the Public Distribution System to provide food grains to all and adopted the Minimum Support Price (MSP) to provide price support.



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'Using new technology for the agricultural sector and fixing prices for agricultural goods were included in the Minimum Support Price Policy.

Research Methodology:

This research is based on secondary data. Government reports, research papers, etc. have been used as secondary data. Descriptive and analytical methods have been used for this research.

Minimum support price of Charrestics:

No market organization can purchase the produce of the farmers at the minimum support price fixed by the government, but the Food Corporation of India helps the farmers in purchasing it. This provides financial assistance to the farmers.

Importance of Minimum Support Price:

Globalization and privatization have freed up the market. This makes it important to fix a fixed price for farmers' produce. If the prices of agricultural produce are fixed, it helps in protecting the interests of farmers. The minimum support price takes care of price fluctuations. The direct impact of price fluctuations on farmers and their produce is due to market imperfections, because the market works according to rising and falling prices. If the minimum support price is fixed, the farmers are fully assured of getting a guaranteed price for their crop. Due to this assurance, the produce is sold in the market.

The government's objective behind fixing the minimum support price:

The minimum support price is fixed by the central government to ensure that farmers do not suffer any loss even if the prices of agricultural produce decrease in the local market organization or market. The main purpose of the government in fixing the minimum support price is that after fixing the minimum support price, the government purchases the produce of farmers at that price.

Factors determining minimum Support price:

"Minimum Support Price" i.e. minimum support price is what we call the guaranteed price. The Agricultural Price Commission has been established to determine the minimum support price. However, the Agricultural Price Commission only makes recommendations. The minimum support price is determined by the government. The minimum support price is announced by the central government every year in the month of October.

Agricultural Prices Commission of India:

The Commission for Agricultural Costs and Prices (Commission for Agricultural Costs and Prices) is an attached wing of the Ministry of Agriculture of India. The Commission for Agricultural Prices was established in 1965. The main objective of the Commission for Agricultural Prices was to use modern technology in the agricultural sector of the country and increase productivity. The Commission for Agricultural Prices performs the important task of encouraging farmers and recommending to the government to fix the price of agricultural produce. The Commission for Agricultural Prices recommends to the government to fix the minimum support price of a total of 23 crops. This includes 7 cereals, 5 pulses, 7 pulses and 4 cash crops/commercial crops. Commission for Agricultural Prices. The Commission on Agricultural Prices (CARP) prepares a comprehensive questionnaire before making its recommendations and sends it to all the states, as well as to the Food Corporation of India (FCD), National Agricultural Cooperative Marketing Federation of India Ltd. (NAFED), Cotton Corporation of India (CCI), Jute Corporation of India (JCI), traders. After considering the suggestions made by the states and the institutions, it prepares a report and places it before the Cabinet Committee on Economic Affairs (CCEA). The committee makes some suggestions on this report and after that a final decision is taken. After that, the CARP publishes the minimum support price on its website.

The salient factors that determine the minimum support price are as follows.

1. Demand and supply.
2. Production expenses.
3. Fluctuations between domestic and international market prices are taken into account.
4. Terms and trade in agriculture and non-agriculture sectors.
5. Price at least 50 percent more than the cost of production.
6. Impact of production on minimum support price.

The process of determining the minimum support price in India is carried out by the Indian Agricultural Prices Commission. While determining the minimum support price of Indian agricultural products, the government mainly includes the cost of farming from tillage to harvesting and increases the minimum support price by 50 percent on the cost of production.



The Central Agricultural Prices Commission has determined three formulas to determine the cost of production of farmers.

A2 the first formula for determining the minimum support price is 42 thousand. According to this formula, the farmer incurs production costs for agriculture. For this, the direct costs on seeds, pesticides, chemical fertilizers, medicines, labor, irrigation, fuel are taken into account. However, if we look at reality, apart from these costs, farmers incur various costs for agricultural production, but these are not included as production costs.

A2+ FL (Family Labor) A2 + FL (Family Labor) is the second formula for determining the minimum basic wage. According to this formula, the value of the labor of the farmer and his family members working with him is taken into account. However, in reality, it is difficult to measure the value of the labor of each family member working in the agricultural sector. And does each person working in his own farm get paid for his labor? This is an important question. Therefore, we see a large amount of hidden unemployment in the agricultural sector.

C2 Agricultural expert Shri. M.S Swami Nathan presented this concept. According to him, if farmers want to get a fair minimum basic price for their agricultural produce, then C2 formula should be adopted. This will increase the sale of farmers' agricultural produce and benefit the farmers. C2 Comprehensive means that the production cost of farmers has been considered in a comprehensive manner. This includes seeds, pesticides, chemical fertilizers, medicines, labor, irrigation, fuel, family labor, interest on investment, and rent of agricultural land and based on that, the production cost should be determined. If the government uses this formula, farmers' goods can get a better price. However, in reality, the Indian Agricultural Prices Commission is determining the minimum support price of agricultural goods by considering both A2 + FL (Family Lever). After determining the minimum support price, the government does not actually purchase the farmers' goods. Instead, the government purchases food grains through local government institutions, in which food grains are stored in the godowns of government institutions such as FCI Food Corporation Of India, National Agricultural Cooperative of India Limited. In the year 2019-20, the total rice production was 118.43 million tons. Only 43.26 percent of this rice production was purchased. Wheat production was 107.59 million tons. However, in reality, the government purchased only 38.99 million tons of wheat. Compared to the total production of tur and moong, the government purchased only 5.69 percent.

Minimum Support/Fair Remunerative Prices Recommended by CACP and Fixed by Government (Crop Year)

(₹/qtl) Updated on 18.10.2022

Commodity	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23										
	Rec o	Fixe d	Rec o	Fixe d	Rec o	Fixe d	Rec o	Fixe d	Rec o	Fixe d	Rec o	Fixe d	Rec o	Fixe d	Rec o	Fixe d	Rec o	Fixe d	Rec o	Fixe d
Kharif Crops																				
Paddy Common	1310	1310	1360	1360	1410	1410	1470	1470	1550	1550	1745	1750	1815	1815	1868	1868	1940	1940	2040	2040
Paddy(F)/Grade'A'	1345	1345	1400	1400	1450	1450	1510	1510	1590	1590	1770	1770	1835	1835	1888	1888	1960	1960	2060	2060
Jowar-Hybrid	1500	1500	1530	1530	1570	1570	1625	1625	1700	1700	2430	2430	2550	2550	2620	2620	2738	2738	2970	2970
Jowar-Maldandi	1520	1520	1550	1550	1590	1590	1650	1650	1725	1725	2450	2450	2570	2570	2640	2640	2758	2758	2990	2990
Bajra	1175	1250	1250	1250	1275	1275	1330	1330	1425	1425	1950	1950	2000	2000	2150	2150	2250	2250	2350	2350
Maize	1310	1310	1310	1310	1325	1325	1365	1365	1425	1425	1700	1700	1760	1760	1850	1850	1870	1870	1962	1962
Ragi	1500	1500	1550	1550	1650	1650	1725	1725	1900	1900	2895	2897	3150	3150	3295	3295	3377	3377	3578	3578
Tur (Arhar)	3850	4300	4350	4350	4425	4625	4625	5050	5250	5450	5675	5675	5800	5800	6000	6000	6300	6300	6600	6600
Moong	4500	4500	4600	4600	4650	4850	4800	5225	5375	5575	6975	6975	7050	7050	7196	7196	7275	7275	7755	7755
Urad	4300	4300	4350	4350	4425	4625	4570	5000	5200	5400	5600	5600	5700	5700	6000	6000	6300	6300	6600	6600

	0		0		5	§	5	€	0	§	0		0		0		0		0
Groundnut	4000	4000	4000	4030	4030	4120	4220	4250	4450	4890	4890	5090	5090	5275	5275	5550	5550	5850	5850
SunflowerSeed	3700	3700	3750	3800	3800	3850	3950	4000	4100	5388	5388	5650	5650	5885	5885	6015	6015	6400	6400
Soyabean Black	2500	2500	2500	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Soyabean Yellow	2560	2560	2560	2600	2600	2675	2775	2850	3050	3399	3399	3710	3710	3880	3880	3950	3950	4300	4300
Sesamum	4500	4500	4600	4700	4700	4800	5000	5200	5300	6249	6249	6485	6485	6855	6855	7307	7307	7830	7830
Nigerseed	3500	3500	3600	3650	3650	3725	3825	3950	4050	5877	5877	5940	5940	6695	6695	6930	6930	7287	7287
Medium Staple Cotton ^	3700	3700	3750	3800	3800	3860	3860	4020	4020	5150	5150	5255	5255	5515	5515	5726	5726	6080	6080
Long Staple Cotton ^^	4000	4000	4050	4100	4100	4160	4160	4320	4320	5450	5450	5550	5550	5825	5825	6025	6025	6380	6380
Rabi Crops																			
Wheat	1400	1400	1450	1525	1525	1625	1625	1735	1735	1840	1840	1925	1925	1975	1975	2015	2015	2125	2125
Barley	1100	1100	1150	1225	1225	1325	1325	1410	1410	1440	1440	1525	1525	1600	1600	1635	1635	1735	1735
Gram	3100	3100	3175	3425	3500	3800	4000	4250	4400	4620	4620	4875	4875	5100	5100	5230	5230	5335	5335
Lentil (Masur)	2950	2950	3075	3325	3400	3800	3950	4150	4250	4475	4475	4800	4800	5100	5100	5500	5500	6000	6000
Rapeseed/mustard	3050	3050	3100	3350	3350	3600	3700	3900	4000	4200	4200	4425	4425	4650	4650	5050	5050	5450	5450
Safflower	3000	3000	3050	3300	3300	3600	3700	4000	4100	4945	4945	5215	5215	5327	5327	5441	5441	5650	5650
Commercial Crops																			
Jute*	2300	2300	2400	2700	2700	3200	3200	3500	3500	3700	3700	3950	3950	4225	4225	4500	4500	4750	4750
SugarcaneΦ	210	210	220	230	230	230	230	255	255	275	275	275	275	285	285	290	290	305	305
Copra (Milling)	5250	5250	5550	5950	5950	6500	6500	7500	7511	9521	9521	9960	9960	10335	10335	10590	10590		
Copra (Ball)	5500	5500	5830	6240	6240	6785	6785	7750	7750	9920	9920	10300	10300	10600	10600	11000	11000		

Source: Commission for Agriculture Cost & Prices Ministry of Agriculture. & Farmers Welfare, Government of India

*: MSP for TD5 variety of jute till 2014-15, and TDN3 (equivalent of TD5) variety of jute from 2015-16.

£: Bonus of ₹40 per quintal subject to liquidation of 15 million tons of Central Pool Stocks. #: 10 percent bonus if exports are banned.

□: Including bonus of ₹100 per quintal. μ: Including bonus of ₹150 per quintal. §: Including bonus of ₹75 per quintal. €: Including Bonus of ₹425 per quintal. §: Including Bonus of ₹200 per quintal. Φ: FRP at 9.5% recovery rate for years from 2012-13 to 2017-18 and at 10% recovery rate from year 2018-19 to 2021-22 and at 10.25% from 2022-23.

§: Corresponding to oil content of 35 percent. : Staple length (mm) of 24.5-25.5 and micronize value of 4.3-5.1. ^^: Staple length (mm) of 29.5-30.5 and microware value of 3.5-4.3.1.



Minimum Support Price and Issues:

The main reason for purchasing wheat and rice in large quantities is that the government provides food grains to the poor at cheap prices, which is why the government does not purchase other agricultural products in large quantities. According to the Shantakumar Committee, only 6 percent of farmers in the country benefit from the minimum support price. According to this committee, 86 percent of small farmers do not go to any market committee to sell their farm produce. It was announced in the 2018 budget that farmers would be given a guaranteed price of two and a half times the cost of production. However, agricultural experts have raised doubts about this costing method that the government uses to cover production costs. According to agricultural experts, the government should adopt M.S. Swami Nathan's C-2 formula for covering production costs. Minimum support price is a declaration adopted by the government. To implement this policy, the government cannot force any market organization or the trading class to purchase farmers' goods at the price fixed. If the sellers do not purchase farmers' goods at the minimum support price, there is no constitutional way for farmers to go to court, because the minimum support price is a declaration and no constitutional provision has been made for it in India. Due to this, the minimum support price policies do not benefit farmers to a large extent. If a farmer gets a good minimum support price for a crop in a particular period, the farmers produce the same crop in large quantities, due to which the prices received for other crops do not increase. This has an adverse effect on other agricultural production.

Conclusion:

Comparing the prices of agricultural commodities in the world market and the minimum support price of agricultural commodities in India, it is seen that there is a difference in the prices of food grains in the last 75 years. The minimum support price policy is constitutionally weak, due to which the farmers cannot appeal to any court or government to get the minimum support price for their goods. The minimum support price and the price of chemical fertilizers are at the same level in relation to Indian agricultural commodities. This does not benefit the farmers. The government has reduced the subsidy on chemical fertilizers from 2010 to 2021. This has increased the production cost of farmers. There are fluctuations in the prices of chemical fertilizers such as N. P. K. These prices are increasing and decreasing at certain times. Even though there is no basis for the prices of agricultural commodities at the international level, the prices of agricultural commodities are higher than these Indian agricultural commodities. The minimum support price policy is limited to India only. Other countries do not implement the minimum support price policy at the international level. The prices of agricultural commodities are determined by supply and demand. At the international level, only 54 countries provide subsidies to farmers. In India, the subsidies provided to farmers include financial assistance to farmers in the form of chemical fertilizers, irrigation, Thibak irrigation schemes, digging wells, and farm ponds. No subsidies are provided for selling agricultural produce in the market.

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