Minimum Support Price (MSP)  
[UPSC Notes]

What is MSP?
Given that India is an agricultural country, the government must prioritize the protection of our farmers. This was the only reason why the Government of India introduced MSP.

- Minimum Support Price in the year 1966-67 to protect the farmers from such worries. The minimum support price depends on the bumper production and is set for 24 commodities as such by the government of India twice a year.
- It is nothing but the price fixed by the Government of India to safeguard the rights of farmers in case the prices fall extremely when the production is at its peak.
- It is a sort of guarantee price that the farmers would be getting no matter whether the conditions relate to distress sales so that they can procure the necessary food grains.
- Before the sowing season of the crops, especially for 22 crops, it is the duty of the Department of Agriculture and Cooperation under GoI to decide the MSP as per the recommendations of the Commission for Agricultural Costs and Prices.

Crops Covered Under MSP

- The CACP (Commission for Agricultural Costs & Prices) recommends MSP for 22 mandated crops.
- The mandated crops contain 14 Kharif crops, 6 Rabi crops, and 2 other commercial crops.

History of Minimum Support Price

The Green Revolution was behind the concept of MSP which began in 1966. It is the government that takes care of MSP to keep a check on major agricultural commodities each year including both the Kharif crops as well as the rabi crops equally.

- It is a kind of insurance provided to the farmers by the government in case some change in the prices might affect them directly and further production. This way the market prices cannot go below the fixed price providing the best to the farmers in most circumstances.
- The concept of MSP by the government has its origin in the rationing system that was introduced long back during World War II by the British to give the best possible advantages to the farmers.
Features of Minimum Support Price

MSP is the form of government intervention in the form of a minimum price for crops to the farmers to safeguard their basic interests and keep them in the field only.

- In case none of the traders come forward to buy the agricultural produce at the given MSP, then it becomes the duty of the Food Corporation of India to go ahead with the same and support the farmers as much as they can.
- Under MSP, farmers are not allowed to sell their produce at higher prices than the ones decided by the government for their crops as such.
- They can only do so in case the traders are willing to buy the agricultural produce at a higher rate to avoid wastage and any kind of losses.

Significance of Minimum Support Price

With the growing economy and globalization leading to agricultural commodities being sold freely in the market, it is quintessential to protect the rights of the farmers and provide them with a guaranteed price for their produce.

- MSP takes care of price fluctuations that have a direct effect on the farmers and their products along with market imperfections as rising and falling prices make the market work accordingly.
- When the farmers are fully assured about the guaranteed price for their crops with assured markets to sell their produce, they are always keen to make higher investments with the benefit of getting higher returns.
- Once all this is set, they get encouraged to adopt modern farming practices to make their work simpler, easier, and more productive.

Issues with Minimum Support Price

MSP is accessible to farmers but not as an entitlement. They are not in a position to demand legally or as part of their right as it all depends on the government.

- Though MSP is announced every year by default, it is a well-known fact that it does not increase in the same proportion as the cost of production. This means the cost of production keeps increasing every year while MSP remains at a stagnant rate.
- Since most of the farmers are illiterate and don’t possess sufficient knowledge about their rights related to MSP, hence the middlemen always exploit them and don’t give them their share as stated.