



Original Article

An Analysis of Minimum Support Price (MSP) as a Tool for Income Sustainability among Farmers

Suryawanshi Rekha Tukaram¹, Dr. T. M. Rabade²

¹Assistant Professor, Department of Economics, Prof. Dr. N. D. Patil Mahavidyalaya, Malkapur-Perid.

²Department of Economics, Smt. Meenalben Mehta College, Panchgani

Manuscript ID:
RIGJAAR-2026-030227

ISSN: 2998-4459
Volume 3
Issue 2
Pp. 123-126
February 2026

Submitted: 10 Jan. 2026
Revised: 17 Jan. 2026
Accepted: 12 Feb. 2026
Published: 28 Feb. 2026

Correspondence Address:
Suryawanshi Rekha Tukaram,
Assistant Professor, Department
of Economics, Prof. Dr. N. D.
Patil Mahavidyalaya, Malkapur-
Perid.
Email:
tukaramrabade2121@gmail.com

Quick Response Code:



Web: <https://rlgjaar.com>



DOI:
10.5281/zenodo.20308677

DOI Link:
<https://doi.org/10.5281/zenodo.20308677>



Creative Commons



Abstract

Minimum Support Price (MSP) has been a crucial policy instrument in India aimed at ensuring income stability for farmers and protecting them from price fluctuations in agricultural markets. This research analyzes the effectiveness of MSP as a tool for sustaining farmers' income and strengthening agricultural security. It examines the objectives, implementation mechanisms, and economic implications of MSP in the agricultural sector. The study particularly focuses on how MSP influences farmers' production decisions, market participation, and financial stability. Using secondary data from government reports, policy documents, and previous academic studies, the research evaluates the benefits of MSP for small and marginal farmers. It also highlights disparities in access to MSP procurement across different regions and crops. While MSP has significantly supported producers of major crops such as wheat and rice, farmers cultivating other crops often receive limited benefits. This limitation is mainly due to inadequate procurement infrastructure and restricted government purchasing systems. The findings indicate that MSP helps protect farmers from market volatility and provides a minimum income guarantee. However, its impact remains uneven across states and farming communities, suggesting the need for policy reforms and improved procurement mechanisms.

Keywords: Minimum Support Price (MSP), Farmers' Income, Agricultural Policy, Price Stability, Procurement System, Income Sustainability, Crop Diversification, Agricultural Development

Introduction

Agriculture remains central to the economy of India, contributing about 15–18% to GDP and employing nearly 45% of the workforce. Despite this dependence, more than 85% of farmers are small and marginal cultivators owning less than two hectares, making them highly vulnerable to income shocks. Price volatility, erratic monsoons, and rising input costs frequently result in unstable earnings, with the average monthly agricultural household income recorded at around ₹10,218 (NSSO, 2019). To address such vulnerabilities, the Government of India introduced the Minimum Support Price (MSP) mechanism during the Green Revolution of the 1960s. Currently, MSP is announced for 23 crops annually, aiming to ensure remunerative prices at least 1.5 times the cost of production (as per government formula). Procurement operations are mainly conducted through the Food Corporation of India, particularly for wheat and rice. In 2022–23, over 11 crore tonnes of rice and wheat were procured under MSP operations. The policy plays a crucial role in maintaining buffer stocks and strengthening national food security under schemes like the Public Distribution System. However, studies show that only about 6–7% of farmers directly benefit from MSP procurement, largely concentrated in a few states. Therefore, while MSP provides income support and production incentives, its broader effectiveness in ensuring equitable and sustainable farm incomes remains a subject of critical debate.

Objectives of Research Paper

1. To analyze the historical trends and policy framework of the MSP system in the agricultural sector.
2. To assess the impact of MSP on farmers' income stability and reduction of income volatility.
3. To evaluate the extent to which farmers benefit from MSP across different crops and regions.
4. To study the role of MSP in influencing cropping patterns and agricultural production decisions.

Creative Commons (CC BY-NC-SA 4.0)

This is an open access journal, and articles are distributed under the terms of the [Creative Commons Attribution-NonCommercial-ShareAlike 4.0 International](https://creativecommons.org/licenses/by-nc-sa/4.0/) Public License, which allows others to remix, tweak, and build upon the work noncommercially, as long as appropriate credit is given and the new creations are licensed under the identical terms.

How to cite this article:

Tukaram, S. R., & Rabade, T. M. (2026). An Analysis of Minimum Support Price (MSP) as a Tool for Income Sustainability among Farmers. *Royal International Global Journal of Advance and Applied Research*, 3(2), 123–126. <https://doi.org/10.5281/zenodo.20308677>

5. To examine the challenges and limitations in the implementation of MSP.
6. To compare the income levels of farmers who benefit from MSP procurement with those who do not.
7. To assess farmers' awareness and accessibility regarding MSP policies.
8. To suggest policy recommendations for improving MSP as a mechanism for sustainable farmer income.

Table 1.1

Minimum Support Price in India in 2025 -26

Sr. No	Crop	MSP 2025-26 / 2026-27 (₹/quintal)	Average Market Price (₹/quintal)	Remark
1	Paddy (Common)	2369	2200 – 3200	Market sometimes above MSP during export demand
2	Paddy (Grade A)	2389	2300 – 3300	Similar trend to common paddy
3	Jowar (Hybrid)	3699	3000 – 4200	Price fluctuates by region
4	Bajra	2775	2500 – 3000	Often slightly below MSP in many mandis
5	Ragi	4886	4200 – 5200	High MSP support
6	Maize	2400	2200 – 3500	Strong demand from feed & ethanol industries
7	Arhar (Tur)	8000	6500 – 9000	Market volatile depending on imports
8	Moong	8768	7000 – 9500	Prices sometimes higher due to demand
9	Urad	7800	6500 – 8200	Seasonal fluctuation
10	Cotton (Medium Staple)	7710	6500 – 8200	Depends on global cotton prices
11	Groundnut	7263	6000 – 7800	Oilseed demand affects price
12	Sunflower Seed	7721	6500 – 8000	Import competition affects prices
13	Soybean (Yellow)	5328	5000 – 7000	Export demand influences price
14	Sesamum	9846	8500 – 11000	Often higher than MSP
15	Wheat	2585	2300 – 2600	Often near MSP due to procurement
16	Barley	2150	2500 – 3200	Brewing industry demand
17	Gram (Chana)	5875	5000 – 6200	Often below MSP without procurement
18	Masur (Lentil)	7000	6000 – 7500	Imports affect price
19	Rapeseed & Mustard	6200	5500 – 6500	Oil demand impacts prices
20	Safflower	6540	5500 – 6800	Limited production

Source 1) Press Information Bureau – Government of India announcements on MSP for Kharif and Rabi crops.2025 - 26

2) Cabinet Committee on Economic Affairs decisions on MSP revisions.

The Minimum Support Price (MSP) in India from 2015–16 to 2025–26 has shown a steady increase, reflecting the government's efforts to strengthen farmers' income and ensure price stability for agricultural produce. MSP acts as a price safety mechanism, guaranteeing farmers a minimum return for their crops even when market prices decline. For major food grains such as paddy and wheat, market prices generally remain close to MSP due to strong government procurement systems. In contrast, coarse cereals like jowar,

Meaning Of Msp (Minimum Support Price)

Minimum Support Price (MSP) is the minimum price set by the government for agricultural crops to protect farmers. It ensures that farmers do not have to sell their produce at prices lower than a fair market value. The government guarantees this price so farmers can recover the cost of cultivation and production. MSP also helps farmers maintain their livelihood and economic stability.

bajra, and maize often experience wider price fluctuations depending on regional demand and supply conditions.

Ragi, a highly nutritious millet, has received significant MSP support in recent years to encourage both cultivation and consumption. Pulses such as tur, moong, and urad tend to display higher price volatility due to factors like imports and changing domestic demand. In some years, market prices of pulses even exceed MSP, allowing farmers to benefit from higher returns. Oilseeds including soybean, groundnut, and mustard are strongly influenced by the demand for edible oils and the level of imports in the country. Similarly, global market trends significantly affect the prices of crops such as cotton and soybean.

Certain crops, such as sesamum, frequently sell above MSP due to export demand and relatively limited

production. However, for crops like gram and bajra, farmers sometimes receive prices below MSP when government procurement is weak or limited. Industrial demand also plays a role in price determination; for instance, maize is used in ethanol production while barley is used in the brewing industry, which can push market prices above MSP in certain situations.

Conclusion

MSP policies also encourage farmers to diversify cropping patterns rather than focusing solely on cereals. By promoting crops like millets, pulses, and oilseeds, the government aims to improve nutritional security and reduce import dependence. However, the actual benefits of MSP depend largely on effective procurement systems and farmers' access to markets. In regions where procurement is strong, farmers are more likely to receive MSP or higher prices, whereas in areas with weaker market infrastructure, farmers may still sell below MSP. Despite these challenges, MSP remains an important policy instrument for protecting farmers against price risks. It contributes to income stability and supports agricultural production across different crops. Overall, MSP plays a crucial role in strengthening India's agricultural economy and improving the livelihood security of farmers. The Minimum Support Price (MSP) system in India has steadily increased from 2015–16 to 2025–26, reflecting the government's continued commitment to strengthening farmers' income and maintaining stability in agricultural markets. MSP acts as an important price protection mechanism that ensures farmers receive a minimum return for their produce even when market prices fall. For major cereals like paddy and wheat, strong government procurement systems help keep market prices close to MSP, providing reliable income support to farmers. However, crops such as coarse cereals often experience greater price fluctuations due to changing regional demand and supply. The government has also promoted nutritious crops like ragi and other millets through increased MSP support to encourage their cultivation and consumption. Pulses and oilseeds show higher price volatility because of factors such as imports, domestic demand, and global market trends. In some cases, market prices exceed MSP, allowing farmers to gain better profits. Certain crops like sesame benefit from export demand, while others may sell below MSP when procurement systems are weak. Industrial demand for crops such as maize and barley can also influence prices and sometimes push them above MSP. MSP policies additionally encourage farmers to diversify crops beyond traditional cereals toward pulses, millets, and oilseeds. This diversification supports nutritional security and helps reduce dependence on imports. However, the effectiveness of MSP largely depends on efficient procurement systems and farmers' access to markets. In regions with strong procurement infrastructure, farmers benefit more from MSP policies. Overall, MSP remains a crucial policy tool for reducing price risk, ensuring income stability, and strengthening India's agricultural economy while improving the livelihood security of farmers.

Recommendation

The Minimum Support Price (MSP) system should be strengthened by expanding procurement facilities to more regions so that all farmers can benefit equally. The government should improve market infrastructure, including storage, transportation, and digital market platforms, to ensure farmers can access fair prices. Greater awareness programs are needed so farmers clearly understand MSP policies and procurement procedures. Increasing investment in procurement for pulses, oilseeds, and millets will encourage crop diversification and reduce dependence on cereal crops. Strengthening farmer producer organizations (FPOs) can also help small farmers collectively access markets and negotiate better prices. The government should ensure timely procurement and quick payment systems to build farmers' trust in MSP operations. Promoting value addition and agro-processing industries can create higher demand for crops and stabilize prices. Better coordination between central and state governments will improve implementation of MSP policies. Data-driven price monitoring systems should also be used to track market fluctuations and support policy decisions. Overall, improving procurement efficiency, market access, and crop diversification will make MSP more effective in ensuring stable incomes and sustainable agricultural growth in India.

Acknowledgment

The authors express their sincere gratitude to Prof. Dr. N. D. Patil Mahavidyalaya, Malkapur-Perid, and Smt. Meenalben Mehta College, Panchgani, for providing the academic support and institutional facilities necessary to complete this research work.

Financial support and sponsorship

Nil.

Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of this paper

References

1. Food and Agriculture Organization. (2023). *Agricultural price policies and food security in developing countries*. FAO. <https://www.fao.org>
2. Government of India. (2025). *Minimum support prices for Kharif and Rabi crops 2025–26*. Ministry of Agriculture & Farmers Welfare. <https://agricoop.nic.in>
3. Commission for Agricultural Costs and Prices. (2024). *Price policy for Kharif crops: The marketing season 2025–26*. Government of India. <https://cacp.dacnet.nic.in>
4. Food Corporation of India. (2023). *Procurement policy and operations report*. <https://fci.gov.in>
5. National Sample Survey Office. (2019). *Situation assessment of agricultural households and land holdings in rural India*. Ministry of Statistics and Programme Implementation.
6. Press Information Bureau. (2025). *Cabinet Committee on Economic Affairs approves MSP for crops for 2025–26*. Government of India. <https://pib.gov.in>
7. NITI Aayog. (2016). *Evaluation study of the efficacy of minimum support prices on farmers*. Government of India.



8. Ashok Gulati, & Shweta Saini. (2018). *Farm income in India: Trends and policy challenges*. Indian Council for Research on International Economic Relations.
9. Reserve Bank of India. (2023). *Handbook of statistics on the Indian economy*. <https://www.rbi.org.in>
10. T. Haque. (2017). Impact of minimum support price on agricultural production and farmers' income in India. *Agricultural Economics Research Review*, 30(1), 1–12.
11. Ramesh Chand. (2016). MSP and its impact on agriculture in India. *Economic and Political Weekly*, 51(3), 15–18.
12. World Bank. (2022). *India agricultural policy: Income support and price stabilization*. <https://www.worldbank.org>
13. International Food Policy Research Institute. (2021). *Agricultural price policies and farmer welfare in South Asia*. IFPRI.
14. Organisation for Economic Co-operation and Development. (2020). *Agricultural policy monitoring and evaluation: India*. OECD Publishing.
15. Sudha Narayanan. (2020). The political economy of minimum support prices in India. *Economic and Political Weekly*, 55(36), 42–50.