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Legal Guarantee of Minimum Support Price (MSP) and Indian Agriculture- Issues and Options

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ABSTRACT- The Minimum Support Price (MSP) is a key element of India's agricultural policy, aimed at protecting farmers from market price volatility and ensuring they receive a fair return for their crops. The paper critically examines the role of the Minimum Support Price (MSP) in India's agricultural sector, addressing the ongoing debate over the need for a legal guarantee of MSP. Through a balanced analysis, it presents arguments both for and against the legal guarantee of MSP, acknowledging concerns over market distortions and fiscal burdens. Suggestions for improving farmers' incomes, such as investment in infrastructure, price stabilization mechanisms, and income support schemes, are discussed. The paper concludes by emphasizing the need for comprehensive reforms in the MSP system, advocating for a balanced approach that incorporates global best practices and modernizes market mechanisms, rather than solely relying on legal guarantees to sustain the agricultural economy.

KEYWORDS- Agriculture, Minimum Support Price (MSP), Legal Guarantee, C2, CACP, APMC.

JEL: Q13

I. INTRODUCTION

The Minimum Support Price (MSP) is a crucial component of India's agricultural policy, designed to safeguard farmers from the fluctuations in market prices and ensure they receive a fair value for their produce [\[1\]](#) [\[2\]](#). Introduced in the 1960s, MSP was originally intended to encourage farmers to grow staple crops like wheat and rice during the Green Revolution, thereby ensuring food security in a newly independent nation. Over the decades, the scope of MSP has expanded to cover a broader range of crops, reflecting its role in stabilizing the agricultural economy. In 1966-67, the GOI announced a 'procurement price' for wheat, a bit higher than its MSP (the purpose being security of food procurement for requirement of the PDS). since the fiscal 1968-69 the government announced only the MSP, which is also considered the effective procurement price. The MSPs are fixed at incentive level, to fulfil the following purpose (i) To induce more investment by farmers in the farm sector.(ii) To encourage farmers to adopt advanced crop production techniques and (iii) To boost production, thus increasing farmers' income. Without a guaranteed price, there is a risk that farmers may switch to other crops, potentially leading to shortages of these specific commodities. India's

agricultural price policy developed in response to food shortages and price volatility caused by droughts, floods, and fluctuations in international export and import prices.

However, while MSP has provided vital support to farmers, it has also sparked debates around its economic implications, environmental impact, and effectiveness in addressing the diverse needs of India's agrarian community. As discussions around MSP continue to evolve, it remains a focal point in the broader discourse on agricultural reforms in India. The current issue with the Minimum Support Price (MSP) in Indian agriculture revolves around its adequacy and implementation. While MSP is intended to provide a safety net for farmers by guaranteeing a minimum price for their produce, many farmers argue that the prices set by the government do not adequately cover rising production costs, including seeds, fertilizers, and labour. Moreover, the benefits of MSP are unevenly distributed, primarily benefiting farmers in regions with strong procurement infrastructure, such as Punjab and Haryana, while leaving those in other states with limited access. This has led to widespread dissatisfaction and demands for a legally guaranteed MSP that is more reflective of actual costs. Additionally, the focus on certain crops under MSP, like rice and wheat, has raised environmental concerns, particularly in water-scarce regions, further complicating the issue. The present article attempts to highlight the issues involved in MSP.

II. MINIMUM SUPPORT PRICE AND PROCUREMENT

The Minimum Support Price (MSP) is a policy in India designed to protect farmers from drastic drops in agricultural prices. The government announces MSPs for certain crops at the start of the sowing season, ensuring that if market prices fall below this threshold, the government will purchase the crops at the MSP. This provides farmers with a guaranteed minimum income for their produce.

The MSP concept was introduced during the 1960s in response to the challenges brought about by the Green Revolution, which increased agricultural production but also created price instability. The Agricultural Prices Commission Report of 1965 recommended MSP as a way to stabilize farmers' incomes and encourage the adoption of high-yielding variety (HYV) seeds. The first MSP was set for wheat in 1966-67 to ensure fair pricing for increased production. Over time, the MSP system expanded, and in 1985, the Commission for Agricultural Costs and Prices (CACP) was established to recommend MSPs for various crops. This helped farmers plan their crops more effectively and promoted crop diversification by including pulses, oilseeds, and other commercial crops.

The procurement system in India is divided into Centralized and Decentralized Procurement. In the Centralized system, either the Food Corporation of India (FCI) or state government agencies procure food grains and manage their storage and distribution. The decentralised procurement scheme (DCP) scheme was operationalised by the government in 1997 together with the Central and some of the states also procure foodgrains from the farmers locally. Under this scheme, the designated states procure, store and also issue foodgrains under TPDS. The difference between the economic cost of the states and the Central issue Price (CIP) is passed on the states by the GOI as a subsidy. The decentralised system of procurement helps to cover more farmers under the MSP operations, improves efficiency of the PDS, provides varieties of food grains more suited to local taste and reduces the transportations cost of the FCI. The Government of India (GOI) urged all states to adopt the DCP Scheme so that costs of distribution can be saved and outreach of price support mechanism to the farmers in hitherto weaker areas can be improved. To overcome the problem of gaps in the flow of information about procurement operations on day-to-day basis, an Online Procurement Monitoring System (OPMS) has been evolved for [\[3\]](#) reporting and monitoring on a daily basis, procurement operations for wheat, paddy and coarse grains in the country.

The government sets Minimum Support Prices (MSPs) for 22 designated crops, as well as Fair and Remunerative Prices (FRP) for sugarcane. These crops include 14 from the kharif season, 6 from the rabi season, and 2 other commercial crops. Of the 23 crops for which the government annually announces MSPs, the list comprises seven cereals (including paddy, wheat, bajra, maize, jowar, ragi, and barley), five pulses (such as chana, moong, arhar, urad, and masoor), seven oilseeds (soybean, groundnut, rapeseed-mustard, sunflower, sesame, niger seed, and safflower), and four commercial crops (cotton, sugarcane, copra, and jute).

[Table 1](#) presents the quantity of crop procurement in India for the Central pool at the Minimum Support Price (MSP) from Kharif Marketing Session (KMS)2018-19 to KMS 2023-24. Paddy and wheat dominate the procurement figures, with paddy consistently leading, though it saw a decline from KMS 2020-21 to KMS 2023-24. Wheat procurement also fluctuated, peaking in 2021-22 but dropping significantly in KMS 2022-23 and partially recovering in 2023-24. Other crops, like rapeseed/mustard, cotton, and bajra, had variable procurement quantities with some years of zero procurement, reflecting possible shifts in production or policy. Overall, the total procurement peaked in 2021-22 at 1,328.87 lakh metric tons and then declined in the subsequent years, returning close to the KMS 2018-19 levels by KMS 2023-24.

Table 1: Crop-wise Details of Quantity of Procurement of crops from farmers for Central pool at Minimum Support Price (MSP) during KMS 2018-19 to KMS 2023-24 in India

Sl. No	Crops	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
1	Paddy	660.11	770.93	895.66	857.3	846.45	759.56
2	Wheat	357.95	341.33	389.93	433.44	187.92	262.02
3	Rapeseed/ Mustard	10.89	8.04	0	0	11.14	12.09
4	Bajra	1.01	1	3.62	0.13	1.82	6.37
5	Cotton	1.82	17.88	15.62	0	0	5.58
6	Masur (Lentil)	0.56	0.01	0	0	0.76	2.47
7	Copra	0	0	0.05	0	0.41	1.34
8	Jute	0.13	0.15	0.01	0	0.42	1.32
9	Ragi	0.94	1.93	4.94	4.37	4.57	1.16
10	Jowar	0.12	0.23	1.46	1.57	0.85	0.97
11	Groundnut	7.18	7.23	2.86	1.5	0.07	0.75
12	Moong	3.29	1.47	1.67	3.63	4.02	0.57
13	Gram	7.76	21.58	6.38	26.29	23.53	0.43
14	Sunflower Seed	0.03	0.05	0.04	0.02	0.07	0.16
15	Soyabean	0.19	0.11	0	0	0	0.07
16	Maize	0.12	1.15	2.05	0.23	0.13	0.05
17	Arhar (Tur)	2.91	5.47	0.11	0.36	0	0
18	Urad	4.92	0	0.01	0.02	0	0
19	Sesamum	0	0	0	0	0	0
20	Nigerseed	0	0	0	0	0	0
21	Barley	0	0	0	0	0	0
22	Safflower	0	0	0	0	0.02	0
	Total	1059.94	1178.58	1324.41	1328.87	1082.19	1054.91

Source: Answers Data of Rajya Sabha Questions for Session 265 Published On: 22nd August, 2024

[Table 2](#) provides an analysis of rice production and procurement in major rice-producing states in India for the year 2021-22. Punjab stands out with an exceptionally high procurement rate of 97.4% of its production, contributing 21.8% to the total national procurement, despite producing only 10% of the country's rice. Telangana and Odisha also have high procurement-to-production ratios of 59.6% and 52.0%, respectively. Uttar Pradesh, while contributing 11.8% to total production, only procures 28.7% of its rice, highlighting a lower procurement rate compared to its production scale. West Bengal, the top producer with 12.9% of national production, procures just 14.3% of its yield, reflecting a modest procurement contribution of 4.2%. In terms of procurement per benefited farmer, Punjab and Haryana lead with 23.7 MT and 20.7 MT, respectively. The marketed surplus percentage is relatively consistent across states, with a national average of 44.5%. Overall, [Table 2](#) indicates significant regional

disparities in rice procurement, with some states like Punjab heavily contributing to the national pool, while others, despite high production, have lower procurement rates.

Table 2: Share of major Rice production and procurement in major rice producing states in India in 2021-22

		Rice production (LMT)	Rice procurement (LMT)	% share of procurement to total production	% share of production to total production	% share of procurement to total procurement	Procurement per benefited farmer (MT)	Marketed Surplus (TE: 2022-23)
1	West Bengal	167.3	24.0	14.3	12.9	4.2	2.9	10.2
2	Uttar Pradesh	152.7	43.9	28.7	11.8	7.6	7.0	11.9
3	Punjab	128.9	125.5	97.4	10.0	21.8	23.7	11.2
4	Telangana	124.1	73.9	59.6	9.6	12.8	6.6	10.9
5	Odisha	92.9	48.3	52.0	7.2	8.4	4.4	6.4
6	Chhattisgarh	80.2	61.7	76.9	6.2	10.7	4.6	6.5
7	Tamil Nadu	79.1	18.8	23.8	6.1	3.3	7.6	6.5
8	Andhra Pradesh	77.6	44.6	57.4	6.0	7.7	5.5	6.2
9	Bihar	77.2	30.0	38.9	6.0	5.2	9.7	5.1
10	Madhya Pradesh	48.1	30.7	63.8	3.7	5.3	7.1	4.5
11	Haryana	46.2	37.1	80.3	3.6	6.4	20.7	4.1
12	Assam	43.8	3.8	8.7	3.4	0.7	9.7	-
13	Karnataka	43.2	1.5	3.5	3.3	0.3	2.7	-
14	Jharkhand	29.3	5.1	17.4	2.3	0.9	5.4	-
15	Tripura	8.1	0.4	4.9	0.6	0.1	2.1	-
16	Others total	96.0	26.6	27.7	7.4	4.6	5.6	16.5
	All India	1294.7	575.9	44.5	100.0	100.0	7.0	100.0

Source: Price policy for Kharif Crops, 2023-24, Commission for Agricultural Costs and Prices, Department of Agriculture and Farmers, Ministry of Agriculture and Farmers welfare

III. CALCULATION OF MSP AND FARMERS' DEMAND FOR LEGAL GUARANTEE

The government's announcement is based on recommendations from the Commission for Agricultural Costs & Prices (CACP), which outlines three key formulas for determining the Minimum Support Price (MSP):

A2: This accounts for the direct costs borne by the farmer during crop production, including expenses on seeds, fertilizers, pesticides, hired labor, leased land, machinery, and fuel.

A2+FL: This includes the A2 costs along with the value of family labor.

C2: This is a more comprehensive calculation, including A2+FL costs plus the imputed rental value of owned land and interest on fixed capital.

The National Commission on Farmers, also known as the Swaminathan Commission (2004), recommended that the MSP should be at least 50% higher than the weighted average cost of production (CoP), calculated using the C2 formula i.e. 1.5 times of average C2. However, the government sets the MSP at a minimum of 1.5 times the all-India weighted average CoP, using the A2+FL formula for this calculation.

Despite its success in providing price support, the MSP system has faced several challenges, including procurement issues, regional disparities, and the exclusion of many farmers who sell their produce in local markets rather than to government agencies. The recent farm laws enacted in 2020, which were later repealed in 2021, sparked widespread protests due to concerns over the future of MSP and the potential deregulation of agricultural markets.

Aimed at making farming remunerative the Government announced to fix the MSP for crops 50 per cent above their production cost since 2018-19. The new MSP is fixed by the CACP over the Cost A2+FL (where, CostA2 includes all paid out costs borne by the farmer on seeds, fertilisers, pesticides, hired labour, leased-in land, fuel, irrigation, etc and the FL is the imputed cost of unpaid family labour. Farm activists demand MSP to be fixed over the cost C2.

[Table 3](#) presents the projected costs and Minimum Support Prices (MSP) for selected crops in India for the year 2024-25, along with their projected yields per hectare. The MSP is consistently set above the A2+FL (actual paid-out cost plus imputed value of family labor) cost for all crops, with the MSP ranging from 150% to 202% of A2+FL. Wheat has the highest MSP as a percentage of A2+FL at 202%, indicating strong price support relative to its production cost, while Bajra has the highest percentage at 177% despite having a lower base cost. The table also compares the MSP to the price based on C2+50% C2 (comprehensive cost including land rent), showing that the MSP generally is below the price based on C2+50% C2, which is being demanded by farmers. This pricing strategy is intended to ensure that farmers receive a fair return over their cost of production, with crops like Arhar, Moong, and Sesamum showing particularly high price points, indicating their potentially higher profitability. The projected yield varies across crops, with paddy and maize having relatively high yields, while pulses like Moong and Urad have lower yields but still receive substantial MSP support.

Table 3: Projected Cost and fixed MSP of Selected Crops in India in 2024-25

	Projected yield (quintal/hectare)	A2	A2+FL	C2	MSP	Price based on C2+50%C2	MSP as percentage of A2+FL
Paddy	43.73	1189	1533	2008	2300	3012	150
Jowar	13.56	1679	2247	2958	3371	4437	150
Bajra	16.59	903	1485	1936	2625	2904	177
Maize	38.02	1135	1447	1863	2225	2795	154
Ragi	18.04	2062	2860	3465	4290	5198	150
Arhar	10.81	3677	4761	6504	7550	9756	159
Moong	5.18	3536	5788	7304	8682	10956	150
Urad	6.06	3781	4883	6496	7400	9744	152
Groundnut	16.17	3793	4522	5664	6783	8496	150
Soybean	12.15	2829	3261	4291	4892	6437	150
Sunflower	8.04	4036	4853	6594	7280	9891	150
Sesamum	5.02	3611	6178	8152	9267	12228	150
Nigerseed	3.72	1888	5811	7342	8717	11013	150
Cotton	15.29	3845	4747	6230	7121	9345	150
Wheat		903	1128	1652	2275	2478	202

Source: Price policy for Karif Crops, 2023-24, Commission for Agricultural Costs and Prices, Ministry of Agriculture and Farmers Welfare

Below [Figure 1](#) shows the Trend of Costs (C2, A2 and C2+50%CP) and MSP of paddy over years in the state of West Bengal in India, revealing that the gap between C2+50%CP and MSP has been widened.

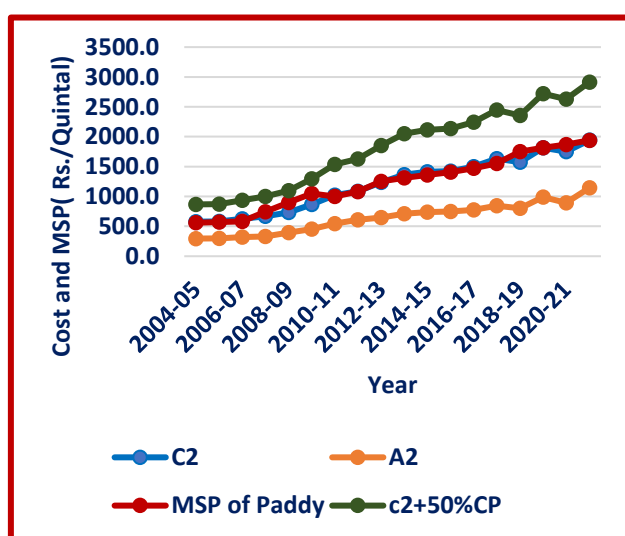


Figure 1: Trend of Costs (C2, A2 and C2+50%CP) and MSP of Paddy over years in West Bengal
Source: Economics & Statistics Division, Department of Agriculture and Farmers Welfare, Ministry of Agriculture and Farmers Welfare.

[Table 4](#) shows the percentage difference between the wholesale price and the Minimum Support Price (MSP) for rice in West Bengal from 2018-19 to 2022-23, highlighting the price trends across different months. In 2018-19, MSP consistently exceeded the wholesale prices, with significant positive percentages, peaking in November (16.1%). However, from 2019-20 onwards, the gap narrowed, and several months even saw wholesale prices exceed MSP, indicated by negative values, particularly from February to September. The trend of wholesale prices being close to or below MSP persisted through 2020-21 to 2022-23, with increasingly negative percentages toward the latter part of the year. This suggests during October to January MSP remains higher than wholesale price and January to August wholesale price remains higher than MSP.

Table 4: Percentage of Minimum Support Price (MSP) over wholesale price in West Bengal

KMS	2018-19	2019-20	2020-21	2021-22	2022-23
October	12.8	4.1	1.8	9.5	2.4
November	16.1	4.4	1.0	9.7	2.6
December	11.1	1.0	0.1	8.9	1.1
January	6.7	-0.3	0.1	4.6	1.1
February	-0.3	-0.3	-0.1	5.1	1.1
March	-0.2	-1.0	0.7	5.1	0.6
April	-0.6	-0.6	1.1	6.5	-0.4
May	0.5	-0.9	0.3	5.2	-1.3
June	3.0	-0.6	1.1	0.4	-1.2
July	1.8	-0.6	3.8	0.4	-1.7
August	1.1	-0.9	5.2	-0.6	-3.2
September	1.2	-0.9	4.8	-1.3	-4.7

Source: <https://agmarknet.gov.in>, Govt. of India

IV. ARGUMENTS AGAINST LEGAL GUARANTEE OF MSP

The arguments against legal guarantee of MSP have been pointed out as follows [\[4\]](#):

- **Government Budget Strain:** The implementation of a Minimum Support Price (MSP) system places significant financial pressure on the government, restricting its ability to invest in vital sectors such as infrastructure and education. India's food subsidy bill being high, if a legal guarantee for MSP were introduced, it could potentially burden the government. Agricultural economist Ashok Gulati argues that investments in agriculture yield returns 5 to 10 times greater than those from subsidies like MSP. [Table 5](#) also reveals that MSP in some months is below the market price.

- ***Impact on Private Sector Investment:*** Legalizing MSP could deter private companies from investing in the agricultural sector, thereby slowing the adoption of modern technologies and hindering sectoral advancements. Fixed government pricing mechanisms could dissuade companies from entering the market, reducing innovation and the uptake of advanced farming techniques.
- ***Water Resource Depletion:*** Crops supported by MSP, such as rice and sugarcane, are water-intensive, leading to excessive water usage, especially in arid regions. In Punjab, the widespread cultivation of paddy, driven by MSP incentives, has drastically reduced water levels, causing severe environmental damage. The depletion of groundwater has led to contamination with harmful chemicals, contributing to serious health issues, including a rise in cancer cases in the region.
- ***Export Competitiveness Challenges:*** Elevated MSPs may reduce the global competitiveness of Indian agricultural products, potentially leading to lower export volumes and trade conflicts. India has encountered issues at the World Trade Organization (WTO) concerning subsidies for rice exports, partly due to the high MSP for paddy. This creates a risk of breaching WTO fair trade guidelines, as the higher prices resulting from the MSP make rice exports less appealing, affecting countries that rely on rice imports from India.
- ***Inflationary Pressures:*** Higher MSPs can contribute to inflation across the economy. Increased income among wealthier rural producers may lead to more luxury consumption, often reliant on imports, which could negatively affect the balance of trade. Rising agricultural prices may also drive up wage demands and industrial costs, creating inflationary pressures that threaten overall economic stability.
- ***Consequences for the Poor:*** As food prices rise, the rural poor, who are net buyers of food, experience a decline in their real incomes. This situation forces them to cut back on other expenditures, affecting their food security and reducing demand for industrial goods. The subsequent decrease in demand for industrial goods could contribute to economic stagnation.

V. ARGUMENTS IN FAVOUR OF LEGAL GUARANTEE OF MSP

The arguments in favour of legal guarantee of MSP have been pointed out as follows [\[4\]](#) [\[5\]](#):

- ***Misconception About MSP Guarantee:*** The idea that implementing a Minimum Support Price (MSP) guarantee means the government must procure all agricultural produce is

incorrect. Only a portion of produce, known as the marketable surplus, is available for sale. Government intervention is only necessary when market prices fall below the MSP to create demand and raise prices. Often, this intervention is minimal.

- **Government Procurement Based on Market Prices:** When market prices are higher than the MSP, the government doesn't need to intervene.
- **Cost of Procurement:** The cost of procuring rice and wheat is often misunderstood as the cost of the MSP program. In reality, it's a consumer subsidy under the National Food Security Act (NFSA), not a direct benefit to farmers. For crops not included in the NFSA, the government incurs no cost unless it sells them at a subsidized price. If not subsidized, the costs are fully recovered.
- **Potential Government Profits:** In some cases, the government can profit by selling procured produce at a slight mark-up in domestic or international markets when prices are high. This can help cool domestic inflation and stabilize market prices. The government has used this strategy in recent years, including exporting stocks to capitalize on higher international prices.
- **Supporting Farmers' Livelihoods:** Legalizing MSP is crucial for millions of small and marginal farmers who are vulnerable to market fluctuations. With nearly half of India's population relying on agriculture, MSP ensures that these farmers receive a fair price, protecting them from being forced to sell their produce below value due to lack of bargaining power.
- **Risk Mitigation:** MSP acts as a safety net for farmers, protecting them from unpredictable risks like extreme weather and market volatility. For example, erratic rainfall due to climate change can drastically reduce crop yields, making MSP vital for maintaining farmers' financial stability.
- **Addressing Market Exploitation:** Farmers are often exploited by middlemen, who buy their produce at low prices and sell it at a high mark-up to consumers. Legalizing MSP can help regulate these practices, ensuring that farmers receive a fairer share of the market price.
- **Reducing Regional Disparities:** Currently, MSP benefits are concentrated in certain regions, with states like Punjab, Haryana, and Madhya Pradesh dominating procurement. Legalizing MSP nationwide would ensure that all farmers, regardless of location, receive a guaranteed price for their crops. Due to the substantial difference between the MSP and the C2 costs, farmers in these states enjoyed significant financial gains. For instance, in 2001-

02, farmers in Punjab received support totalling ₹1,980 crore, accounting for 43% of the total price subsidies. Other states that also benefited, though to a lesser extent, include Haryana with ₹940 crore, Andhra Pradesh with ₹490 crore, and Uttar Pradesh with ₹460 crore. The financial support extended to other states was minimal in comparison.

- ***Reducing bias Toward Large Farmers:*** Over the years, increases in the Minimum Support Price (MSP) and procurement prices have incentivized producers to boost their output. However, the majority of these benefits have predominantly gone to large farmers, who are better positioned to adopt new agricultural practices and access credit and other necessary inputs. Estimates indicate that, whether for wheat or rice, the income transfer to large farmers in each state is about 10 times higher than that received by marginal farmers [\[6\]](#).

VI. SUGGESTIONS FOR IMPROVEMENT OF FARMERS' INCOME

To enhance the efficiency of Minimum Support Price (MSP) mechanism some suggestions are as follows [\[7\]](#):

- ***Improving agricultural marketing infrastructure:*** India's agricultural market faces multiple challenges that need to be addressed for better farmer outcomes. The country currently lacks sufficient markets, with around 2,477 principal regulated markets and 4,843 sub-markets, far short of the 41,000 recommended by the National Commission on Farmers. This deficiency forces farmers to travel long distances to sell their produce. The existing market infrastructure is inefficient, with too many intermediaries adding costs without delivering necessary services like grading or quality testing. Technological interventions such as AI for quality checks could address inefficiencies. Additionally, while the e-NAM platform aims to improve market transparency, its limited functionality, lack of proper infrastructure, and low online trade volumes hinder its potential. Enforcing MSP as the base price in Agricultural Produce Market Committees (APMCs) is also challenging, as traders frequently manipulate prices below MSP, necessitating stronger quality control and adherence mechanisms.
- ***Direct Income Support:*** It has been suggested that India should focus on safeguarding farmers' incomes rather than fixing farm prices. Expanding programs like PM-KISAN and gradually phasing out MSP could be a solution. This approach would enable farmers to make decisions based on market prices while ensuring they receive direct income support to protect their earnings [\[8\]](#) [\[9\]](#).

- **Price Difference Payment (PDP):** The price-difference payment option involves the government compensating farmers for the gap between the MSP and the actual selling price of their crops. This approach has been implemented in Haryana and Madhya Pradesh through a scheme known as Bhavantar Bharpai Yojana. Specifically, under Madhya Pradesh's 'BhavantarBhugtan Yojana,' the state government provided farmers with the difference between the MSP and the average market price of their crops. This ensured that farmers received additional funds if they were forced to sell below the MSP [\[8\]](#).
- **Procurement by private entities:** The government has announced a Minimum Support Price (MSP) for 22 crops, but typically purchases only six or seven, such as wheat, rice, and pulses, which account for just 6% of the total agricultural and allied sector output. This means that 94% of the sector's output falls outside the MSP framework. It has been proposed that instead of legally enforcing MSP, private entities could be required to buy crops at or above the MSP [\[10-13\]](#).

VII. CONCLUSION

In conclusion, while the Minimum Support Price (MSP) system remains a vital safeguard for Indian farmers, particularly for staple crops like paddy and wheat, it requires significant reforms to address its current limitations. Broader awareness, better access, and more remunerative pricing are essential to ensure that the benefits of MSP reach all farmers. Instead of solely legalizing MSP, which could lead to market distortions, a more balanced approach that includes increased agricultural investments, a price stabilization fund, and alternative support mechanisms like income support schemes should be pursued. Additionally, modernizing market infrastructure, enhancing the e-NAM network, and enforcing mechanisms to ensure MSP adherence will be crucial in protecting farmers' interests and ensuring the long-term sustainability of India's agricultural sector. To improve the efficiency and modernization of India's Minimum Support Price (MSP) system, incorporating global best practices and tailoring them to local conditions can be beneficial. For example, Thailand's guaranteed income scheme and Madhya Pradesh's BhavantarBhugtan Scheme present effective alternatives to the traditional MSP model by offering price deficiency payments that minimize market distortions.

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