Sarcouncil Journal of Agriculture

ISSN(Online): 2945-3631

Volume- 05| Issue- 03| 2026

Research Article **Received:** 01-04-2026 | **Accepted:** 25-04-2026 | **Published:** 10-05-2026

The Achievements and Pitfalls of the Minimum Support Price System in India and an Exploration of Alternative Mechanisms

UTPAL BAISHYA, M.A., Ph.D.

Former UGC Senior Fellow, Department of Economics Gauhati University, Guwahati – 781014

Abstract: India's Minimum Support Price (MSP) system, a cornerstone of agricultural policy since the Green Revolution, has played a vital role in boosting food grain production and ensuring price assurance for farmers. However, this paper highlights the systemic inefficiencies that have emerged over time—such as procurement skewed toward rice and wheat, regional imbalances, exclusion of smallholders, environmental degradation, and mounting fiscal pressure. Drawing on empirical evidence and recent policy debates, the study critiques the limitations of the MSP-centric model and assesses its declining relevance in the context of a diversifying agricultural economy. It explores alternative mechanisms including contract farming, price deficiency payments, warehouse receipt systems, cooperative marketing models, and per-hectare subsidies. These approaches are evaluated for their potential to deliver more inclusive, efficient, and sustainable outcomes. The paper argues that a transition toward a diversified policy framework—focused on market integration, private sector participation, and institutional reform—is essential to meet the evolving needs of Indian agriculture. The study concludes with pragmatic policy recommendations that seek to balance farmer welfare, fiscal responsibility, and long-term environmental sustainability.

Keywords: Post-Harvest Management, Contract Farming, Green Revolution, Price Support, Sustainability, Private Investment.

INTRODUCTION

India today ranks among the largest producers and exporters of food grains, particularly cereals (Government of India, 2023). This accomplishment stands in stark contrast to the food-insecure conditions that existed before the introduction of the Green Revolution. In the 1960s, the country faced a grave food grain crisis, resulting from successive droughts, wartime disruptions, and extremely low agricultural productivity (Yadav & Anand, 2019). To address this crisis, the Government of India introduced the Green Revolution — a technological intervention aimed at modernizing Indian agriculture (Parayil, 1992). This initiative played a pivotal role in transforming India from a food-deficient country into a major food producer within a decade.

Alongside these technological changes, the government also implemented a vital agricultural price policy — the Minimum Support Price (MSP) — in 1966 (Chand, 2003). The MSP system was introduced to protect farmers from post-harvest price collapses and to incentivise increased agricultural productivity to achieve self-sufficiency in food grain production (Mohanakumar & Prem, 2018). Under this policy, MSPs for more than 20 crops (*Kharif* and *rabi* crops) are announced annually before the sowing season (Ministry of Agriculture & Farmers Welfare, 2025). These prices are determined based on the recommendations of the Commission for Agricultural Costs and Prices (CACP). When post-harvest market prices fall below the MSP, the Food Corporation of India (FCI) steps in to procure the crops at the support price, thus assuring farmers a minimum guaranteed return. This mechanism, along with the Green Revolution technologies, proved instrumental in enabling India to overcome its food grain deficit and achieve national food security. Food grain production primarily rice and wheat increased dramatically from 45.58 million tonnes in 1960–61 to 251.12 million tonnes in 2023–24. As noted by Aditya *et al*. (2017), this remarkable growth has enabled the country to attain food security at the national level. Between 1965 and 2015, while India's population expanded by 2.77 times, agricultural production rose by 3.75 times, resulting in a 45% net gain in per capita food production (Chand, 2017). The MSP-based agricultural strategy played a critical role in establishing a strong production base, particularly for rice and wheat, improving farm incomes and contributing to overall price stability.

However, over time, the MSP system has generated several unintended consequences, such as skewed cropping patterns, regional disparities, rising fiscal burdens, and environmental degradation (Gupta, 1980; Chand, 2003; Saini, 2021; Government of India, 2020; Committee for Formulation of Agriculture Policy for Punjab State, 2013; Sud, 2021; Singh, 2022; Parikh & Singh, 2015; Food Corporation of India, 2024; Kumar, 2020). In light of these emerging challenges, the present paper aims to explore

***Corresponding Author:** UTPAL BAISHYA, M.A., Ph.D

DOI- https://doi.org/10.5281/zenodo.20112917

potential alternatives to the MSP mechanism in the contemporary policy context. Before addressing this core objective, the paper offers an overview of its beneficial effects and the shortcomings of the MSP system.

The paper is organised into five main sections. The first section provides an overview of the MSP mechanism, including its historical context, objectives, and operational structure. The second part outlines the methodology used in this study. The third section analyses both the intended benefits and the unintended consequences of the MSP-based procurement system, such as regional and crop concentration, rising fiscal burden, and environmental degradation. The fourth section explores alternative market support mechanisms, including contract farming, price deficiency payments, warehouse receipt systems, cooperative marketing models, and uniform per-hectare subsidies. The final section concludes the paper by outlining key findings and discussing their policy implications.

METHODOLOGY

To systematically assess the performance of the MSP system and evaluate potential alternatives, this study adopts a mixed-methods approach. It combines historical policy analysis with empirical evidence drawn from authentic secondary data sources. The paper also utilises comparative case studies—such as contract farming models and cooperative marketing systems—to highlight emerging best practices. Where relevant, graphical illustrations and tables have been employed to visualise trends in procurement, regional disparities, and fiscal impacts. This approach enables a comprehensive examination of the MSP system's evolving role in India's agricultural economy.

Intended and Unintended Consequences of the Msp-Based Procurement System

As discussed above, the MSP-based procurement system was introduced with the noble objective of ensuring national food security and providing farmers with the incentive to produce more food grains. Over the years, this primary goal has been broadly achieved. More specifically, the system has delivered two notable benefits:

a) A Positive Influence on the Farm Harvest Price

The very latest empirical evidence presented by Baishya and Bezbaruah (2024) showed that the MSP-based procurement system has significantly improved the price realisation for farmers by ensuring better farm harvest prices—i.e., the price received by farmers at the farm gate—particularly for rice and wheat. Regions with a higher share of production procured under the MSP system tend to offer better farm harvest prices to their farmers. Theoretically, as well, a higher MSP tends to influence market prices upward, and both the MSP and improved market prices serve as incentives for farmers, thereby contributing to an increase in the farm harvest price (Srinivasa *et al*., 2023; Mehta *et al*., 2020; Vasant and Sukhatme, 1983; Thakare *et al*., 2024)

b) A Gradual Improvement in Agricultural Income, Particularly in Regions With Higher Levels of Procurement

Regions with a higher production-to-procurement ratio have experienced a gradual and consistent improvement in agricultural income compared to those with lower procurement levels (Basu & Misra, 2022). By offering a guaranteed minimum price, the MSP system has played a key role in enhancing income security and reinforcing the economic viability of farming in several parts of the country.

However, despite these favorable impacts, the MSP-based procurement system has also led to several unintended and undesirable consequences. These include ecological imbalances due to skewed cropping patterns, regional disparities in procurement benefits, and growing fiscal burdens on the government.

i) Effective for Rice and Wheat Only

The practice of announcing the Minimum Support Price (MSP) has been in place for over five decades. Each year, the government declares MSPs for more than 20 crops. However, in terms of actual procurement, the system has largely been effective only for rice and wheat. In recent years, procurement of crops like cotton and pulses has seen some improvement, but their share remains minimal compared to that of rice and wheat. Even if MSP for crops has been steadily rising, actual procurement is appalling. For instance, in the 2022–2023 marketing season, for example, farmers in Rajasthan and Madhya Pradesh were frequently compelled to sell their mustard at Rs 4,500–4,800 per quintal because of insufficient government purchases, even though the MSP was set at Rs 5,450 per quintal. Similar to this, farmers are now at the mercy of monopolistic private

Publisher: SARC Publisher

dealers and mills since the Cotton Corporation of India (CCI) has frequently failed to acquire enough cotton to guarantee steady prices (Bhattacharyya, 2025).

Table 1: Crop-wise Total Procurement Value at MSP

Crop	MSP Value for five years (2009-10 to 2013-14)	%	MSP Value for five years (2016-17 to 2020-21)	%
Paddy	2,88,871	62.12	6,02,156	58.48
Wheat	1,68,223	36.17	2,85,071	27.68
Pulses	645	0.13	56798	5.51
Oilseeds	1454	0.31	26503	2.57
Cotton	5821	1.25	59094	5.73
Total	4,65,014	100	1029622	100
***Source**: Press Information Bureau, Government of India, 2022*				

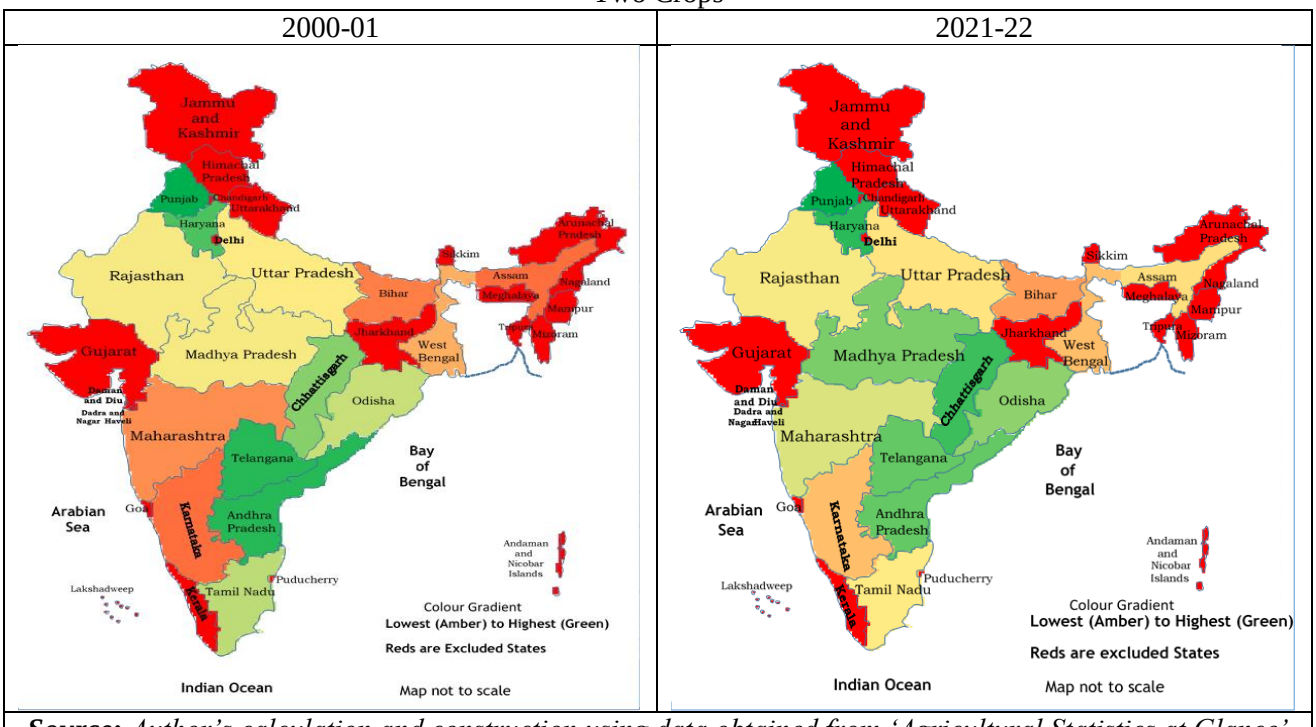
The table clearly shows that procurement is heavily concentrated in paddy and wheat. These two crops alone accounted for over 90% of the total MSP procurement value during both periods, while the share of pulses, oilseeds, and cotton remains comparatively minimal.

ii) Regional Concentration

While the MSP is announced for the entire country, actual procurement has historically been concentrated in a few states—primarily Punjab and Haryana, which form the core of the Green Revolution belt. These states have disproportionately benefited from the MSP-based procurement system, especially for paddy and wheat. About 85% of the rice and 74% of the wheat grown in Punjab and Haryana are purchased at MSP by the Food Corporation of India (FCI) and state organisations, providing farmers in these states with financial stability. In contrast, farmers frequently have no option but to sell their produce to private traders at rates far below the official MSP in states like Bihar, West Bengal, Odisha, and Assam where procurement infrastructure is either nonexistent or very inadequate (Bhattacharyya, 2025).

However, as evident from the comparison of state-wise procurement proportions between 2000–01 and 2021–22 (Maps 1), recent years have witnessed a gradual diversification in regional procurement patterns.

Maps 1: State-wise Proportion of Paddy and Wheat Procurement under MSP System in Total Production of Two Crops



***Source:** Author's calculation and construction using data obtained from 'Agricultural Statistics at Glance'*

Publisher: SARC Publisher

The maps indicate that states shaded in darker green reflect a higher proportion of procurement relative to their total production, whereas lighter yellow shades represent lower procurement levels. The Andhra region has now emerged as one of the major contributors. States such as Madhya Pradesh, Maharashtra, Chhattisgarh, and Odisha have also shown a rising share in procurement. Although procurement from the northeastern states remains minimal, Assam has shown some improvement. Similarly, a slight increase is observed in parts of southern India. Despite these positive trends, Punjab and Haryana continue to dominate MSP-based procurement. In some instances, procurement figures have exceeded reported production levels. This unusual phenomenon is primarily attributed to the 'revolving door effect,' as noted by Kaushik Basu (Basu, 2011), where the same stock is procured multiple times. Additionally, the illegal inflow of paddy from neighboring states into Punjab contributes to inflated procurement figures that surpass actual local production (Chaba, 2020).

iii) Limited Reach Among Farmers

Despite the widespread announcement of MSPs for over 20 crops, the actual reach of the system remains highly restricted. According to the Shanta Kumar Committee Report (2015), only about 6% of paddy and wheat-growing farmers directly benefit from government procurement at MSP. Moreover, these beneficiaries are predominantly large and medium-sised farmers, leaving the vast majority—particularly small and marginal farmers—outside the ambit of assured price support. This skewed access exacerbates income disparities in the agricultural sector and limits the system's role as an inclusive safety net. It also raises serious questions about the efficiency and equity of public procurement as a universal price support mechanism.

iv)Fiscal Burden

India, as a welfare-oriented nation, implements numerous schemes to ensure the well-being of its citisens. One such major initiative is ensuring food security, which has led to a significant and growing food subsidy burden on the government. The food subsidy primarily covers the cost of procuring food grains at the Minimum Support Price (MSP), along with storage and transportation costs, minus the revenues generated from distributing these grains (George, 1996; Deveshwar & Saloni, 2022). Since a large section of the population—especially those Below the Poverty Line (BPL)—receives food grains at prices much lower than the MSP, the gap is bridged through substantial government expenditure.

Moreover, the open-ended nature of procurement and the continuous increase in MSP levels have further inflated the subsidy bill. This rising expenditure not only neglects other nutritionally important crops, which are largely left out of the procurement system, but also diverts scarce public resources away from more productive agricultural investments such as infrastructure, research, and irrigation. Again looking at the beneficial effect of MSP policy, the farmers' community has been demanding the legal status of the procurement. As per a survey of SBI, if all the produce had to procure it would cost the government around Rs 13 billion per year, that is fiscally not viable for a country like India at present time.

Figure 1 illustrates a rise in the share of food subsidy within the total government expenditure over time, highlighting the mounting fiscal pressure associated with the current procurement and subsidy framework. This underscores the need to rethink the structure and sustainability of the MSP and food distribution mechanisms.

Publisher: SARC Publisher

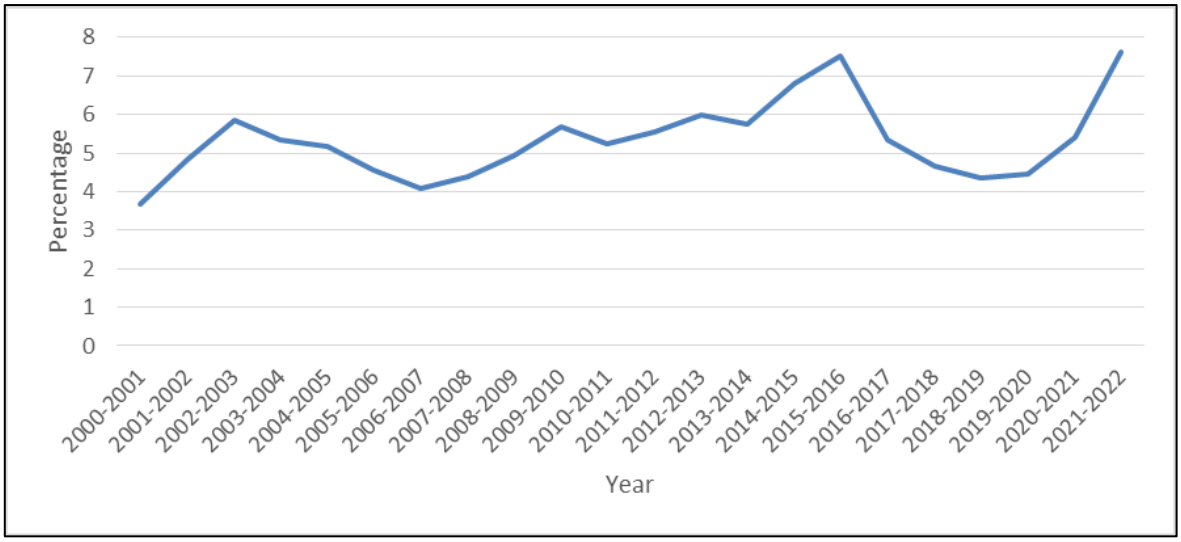


Figure 1: Share of Food Subsidy to Total Expenditure

Source: *Food Corporation of India and Handbook Statistics on Indian Economy (Published by Reserve Bank of India)*

v) Environmental Damages

The Minimum Support Price (MSP) procurement system has significantly influenced cropping patterns in states such as Punjab and Haryana, which are traditionally not rice-growing regions (Government of India, 2020). The assured price support for crops like paddy has incentivised large-scale cultivation of rice over several decades, leading to notable environmental consequences.

One of the primary environmental concerns is the depletion of groundwater resources. Paddy cultivation is highly water-intensive, requiring substantial water withdrawals from both groundwater reserves and surface irrigation projects. However, it is essential to recognise that the environmental damage cannot be solely attributed to MSP support for paddy cultivation. Other factors, such as free electricity supply and subsidised diesel for irrigation pumps, have further exacerbated groundwater over-extraction. Therefore, the combined effect of MSP procurement and electricity subsidies has significantly accelerated the depletion of water resources in these regions (Gulati, 2025).

Another critical issue is the practice of stubble burning, which has emerged as a major environmental consequence of the paddy-wheat crop cycle in Punjab and Haryana. Farmers resort to burning stubble primarily to clear fields quickly for the subsequent wheat crop planting. This practice results in severe air pollution, with environmental impacts spilling over to neighboring regions such as Uttar Pradesh and Delhi, contributing to hazardous air quality levels during certain seasons (Sud, 2021;Singh, 2022).

Additionally, excessive irrigation practices, driven by intensive cropping cycles, have led to increased soil salinity in certain areas, particularly in regions that were central to the Green Revolution (Mukhopadhyay *et al*., 2024). This salinity not only reduces soil fertility but also threatens the long-term sustainability of agricultural productivity in these states (Kumar & Sharma, 2020)

vi) Limited Coverage of Emerging Agricultural Sectors

Indian agriculture has become increasingly diversified since the early 21st century, with a rising contribution from sectors like horticulture and livestock to overall agricultural output and income (Birthal *et al*.,2013; Neogi & Ghosh, 2022). This structural transformation reflects changing consumer demand, improved market linkages, and the pursuit of higher incomes by farmers. However, the existing MSP policy remains heavily focused on a narrow set of food grains, primarily paddy and wheat, and does not extend support to these emerging sectors. As a result, farmers engaged in horticulture, dairy, poultry, and allied activities remain excluded from the price assurance benefits provided under the MSP regime. This limited coverage undermines the goal of inclusive agricultural development and fails to align with the changing dynamics of the rural economy.

Publisher: SARC Publisher

Exploring other Forms of Marketing Support and Reforming the MSP-Based Procurement System for more Efficient Socioeconomic Outcome

In light of the unintended and often undesirable outcomes associated with the current MSP-based procurement system—such as regional and crop concentration, rising fiscal burden, and exclusion of key agricultural sub-sectors—it becomes imperative to explore alternative marketing support mechanisms. The following policy alternatives and reforms may offer more inclusive, efficient, and sustainable outcomes for Indian agriculture:

Contract Farming: Providing Assured Market and Price Stability

Contract farming refers to a pre-agreed arrangement between farmers and buyers specifying production and marketing terms such as pricing, quantity, quality standards, and delivery schedules (Eaton & Shepherd, 2001; Singh, 2002). Buyers often provide inputs like seeds and fertilisers along with technical support to help farmers meet quality standards (Glover & Kusterer, 2016). While farmers handle cultivation, the buyer guarantees a market, reducing price risk (Minot, 1986).

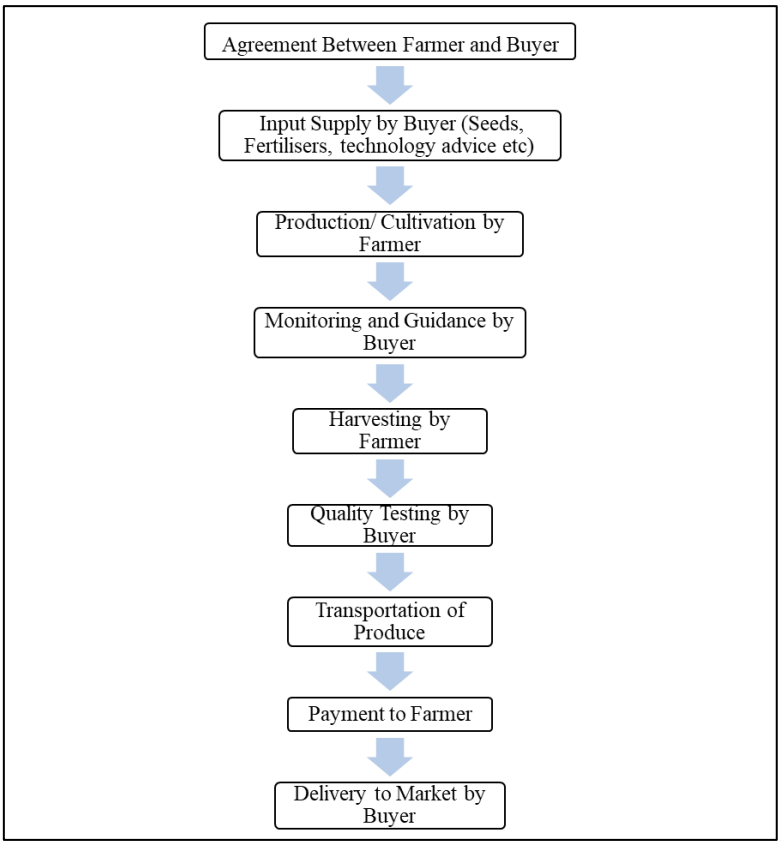


Figure 2: Operational Stages of Contract Farming

This model connects small farmers to modern supply chains and provides access to markets, technology, and finance (Da Silva, 2005). It offers a viable, market-driven alternative to the MSP system, which is limited to a few crops and regions. Contract farming is especially suitable for semi-perishable crops like potatoes and tomatoes that are difficult to bring under MSP. It also supports horticultural diversification, enabling farmers to secure stable prices and incomes while reducing overdependence on staples like rice and wheat.

Though concerns exist about buyers backing out, such instances are rare since buyers typically invest heavily in processing and marketing infrastructure, making contract fulfillment mutually beneficial. By cutting intermediaries, ensuring timely payments, and promoting better quality and yields, contract farming improves farm income more effectively than the MSP regime. Furthermore, it encourages sustainable practices, food safety compliance, and opens access to export markets.

Publisher: SARC Publisher

Successful Examples of Contract Farming in India

- **PepsiCo and Potato Farmers (Punjab & West Bengal):** PepsiCo engages in buy-back agreements with farmers, offering inputs, technical guidance, and assured pricing (Kumari & Maria, 2024; Kaur & Singla, 2024). Studies show contract farmers earn significantly higher gross margins than non-contracted ones (Punjabi, 2015a), while also reducing risk through crop insurance and input support (Dutta *et al*., 2016). In West Bengal, this model increased farmers' income by 25–30% and yields by 20–25% (Behera *et al*., 2018).
- **HyFun Foods – Frosen French Fries:** HyFun revolutionised India's frosen French fry industry by partnering with over 7,000 farmers across Gujarat, MP, and UP. It provides quality seeds and training, assuring stable prices and high yields while integrating farmers into global value chains (Damodaran, 2025; Panigrahy & Kalamkar, 2021).
- **Nestlé's Dairy Contract Model (Moga, Punjab):** Nestlé's long-term partnerships with over 100,000 dairy farmers improved milk quality, increased farmer incomes by 15–20%, and boosted production through technical support and direct procurement (Punjabi, 2015b; Sathyan & Jagadeesha, 2021).

Price Deficiency Payment Scheme (PDPS): Direct Income Support Without Procurement

The Price Deficiency Payment Scheme (PDPS) is an innovative approach to providing income support to farmers without the need for physical procurement and storage. Under PDPS, farmers are compensated for the difference between the MSP and the actual market price when the latter falls below the MSP (Haque, & Joshi,2018; Government of India, 2023_a). This scheme ensures that farmers receive fair compensation without the logistical challenges associated with government procurement.

Benefits of PDPS as an Alternative to MSP

1. **No Physical Procurement Burden**: Since the government does not need to purchase, store, or transport produce, the operational and fiscal burden of procurement is greatly reduced.
2. **Flexible Market Sales**: Farmers have the freedom to sell their produce in the open market based on demand, ensuring timely sales and flexibility.
3. **Inclusive Coverage for More Crops**: Unlike MSP, which primarily covers a narrow range of crops, PDPS can be extended to a wider variety of crops, ensuring income support for a larger number of farmers.

Bhavantar Bhugtan Yojana (BBY) in Madhya Pradesh

The BBY was launched as a pilot PDPS in Madhya Pradesh in 2017, covering crops like soybean, groundnut, maise, and pulses (Patel *et al*.,2019). The scheme aimed to bridge the price gap between the MSP and the prevailing market price. Farmers who registered under the BBY were compensated for the difference if market prices fell below the MSP during the notified period (Kutty, 2021).

Warehouse Receipt System: Enhancing Post-Harvest Management and Financial Support

The Warehouse Receipt System (WRS) is an innovative approach to post-harvest management that enables farmers to store their produce in accredited warehouses and use the receipts as collateral for loans (Vemireddy *et al*., 2024). In the Warehouse Receipt System (WRS), farmers store their harvested produce in accredited warehouses that adhere to specific standards for storage and quality maintenance. Upon storage, the warehouse issues a receipt to the farmer, detailing the quantity, quality, and ownership of the stored produce. This receipt acts as a negotiable instrument, enabling farmers to use it as collateral to secure credit or loans from financial institutions, thus providing immediate liquidity. Farmers then have the flexibility to sell their produce when market prices are favorable, allowing them to maximise returns and ensure a profitable sale. Thus this system offers a dual advantage: preventing distressed sales and providing access to credit. By allowing farmers to store their produce and wait for favorable market conditions, WRS improves their financial stability and market access (Narayanan *et al*., 2024). The Central Warehousing Corporation (CWC) and State Warehousing Corporations (SWCs) have facilitated the development of WRS, with accredited warehouses providing safe storage and financial institutions offering warehouse receipt financing. This system has benefited farmers growing cereals, pulses, oilseeds, and spices, allowing them to avoid distress sales and secure

Publisher: SARC Publisher

better prices. This system has been found to be in practice for a considerable length of time in potato growing areas of west Bengal namely Hugly and Brindapur district

Benefits of WRS as an Alternative to MSP

1. **Access to Credit, Financial Flexibility and Empowerment**: Farmers can use the warehouse receipt as collateral to access credit, enabling them to manage immediate financial needs without having to sell their produce at low prices. Thus it provides financial empowerment and reduces reliance on traditional moneylenders.
2. **Better Price Realisation and Market Flexibility**: WRS enables farmers to store their produce and sell when market prices are higher, ensuring better price realisation and preventing losses. Unlike MSP, which requires sales within a fixed procurement period, WRS removes immediate sale pressure, allowing farmers to wait for favorable market conditions and maximise their earnings.
3. **Reduction of Post-Harvest Losses**: Accredited warehouses ensure safe storage conditions, reducing spoilage and waste. This is particularly beneficial for commodities with longer shelf lives, such as grains, pulses, and oilseeds.
4. **Sustainability in Agriculture**: Proper post-harvest management through WRS reduces wastage, improves quality, and supports environmentally sustainable practices

Cooperative Models: Empowering Farmers Through Collective Action

Cooperative models offer an effective alternative to the MSP system by empowering small and marginal farmers through collective bargaining, shared infrastructure, and improved market access (Patel & Mehta, 2022). By pooling resources, farmers can reduce input costs, eliminate intermediaries, and increase their share in the final market price (Christian *et al*., 2024; Uyar, 2024; Qorri & Felföldi, 2024).

Key Benefits of Cooperative Farming:

Economies of Scale: Reduced costs in marketing, storage, and transport.

Price Realisation: Bypassing intermediaries ensures fairer returns (Sumalde & Quilloy, 2018).

Value Addition: Investment in processing and packaging increases profitability.

Access to Finance: Cooperatives can secure better credit terms based on collective creditworthiness.

Knowledge Sharing: Platforms for training in best practices, sustainability, and risk management (Kalogiannidis *et al*., 2024).

Notable Examples of Successful Cooperative Models -

AMUL Dairy Cooperative (Gujarat)

Established in 1946, AMUL is a globally recognised dairy cooperative that manages collection, processing, and marketing through a three-tier structure. It ensures equitable profit distribution, access to veterinary care, and shared ownership among farmers (Kaur, 2014; Sajja & Dave, 2019; Tiwari, 2024; Dasgupta, 2024). AMUL has helped farmers access national and international markets while promoting value-added products like butter and cheese.

Sitajakhala Dairy Cooperative (Assam)

Inspired by the AMUL model, Sitajakhala Co-op was formed in 1958 in the Morigaon district of Assam. It currently has over 1,000 members producing ~17,000 liters of milk daily (Kashyap & Bhuyan, 2020; Kashyap & Bhuyan,2023). The cooperative eliminated middlemen, achieved a

producer share of 88.25% in consumer prices, and invested in processing units for pasteurised milk and milk snacks. It has also provided veterinary care, scholarships, and community support, significantly enhancing local livelihoods (Upadhaya, 2023).

Unlike the MSP system—which primarily supports a few crops and regions—the cooperative model fosters inclusive growth and long-term sustainability. Through collective marketing, financial access, and value addition, cooperatives enhance farm viability and reduce dependency on public procurement. As demonstrated by AMUL and Sitajakhala, cooperative farming can empower rural communities economically and socially, offering a scalable, market-aligned alternative to the MSP-based procurement system.

Per Hectare Uniform Subsidy Instead of Price Support

Providing a uniform per-hectare subsidy to farmers—regardless of the type of crop they cultivate—can encourage crop diversification and mitigate the market distortions often associated with the MSP system (Editorial, The Indian Express, 2025). This approach can promote greater

Publisher: SARC Publisher

equity among farmers and enhance fiscal efficiency. By delinking support from specific crops, such a subsidy model allows farmers the autonomy to choose cropping patterns based on agro-climatic suitability and market demand. Moreover, it incentivises cost minimisation and efficient resource use—an aspect largely absent under the MSP regime, where price assurance can lead to inefficiencies and over-reliance on certain crops.

CONCLUSION

The evolving dynamics of Indian agriculture necessitate a paradigm shift in the design of price and income support mechanisms. While the Minimum Support Price (MSP) system played a pivotal role in ensuring food security during the 1960s, its continued reliance today reveals systemic inefficiencies and socioeconomic trade-offs. These include skewed procurement patterns, rising fiscal burdens, environmental stress, and limited accessibility, particularly for smallholders and producers of non-cereal crops. In its present form, the MSP-centric framework is inadequate to address the complexities of modern, market-driven agriculture (Deodhar & Kelkar,2024)

This study identifies several viable alternatives and complements to the traditional MSP regime, including contract farming, price deficiency payment schemes, warehouse receipt systems, cooperative models, and uniform per-hectare subsidies. Together, these instruments offer a more diversified and targeted support structure aligned with India's current agricultural realities.

A crucial aspect of this transition is the increased participation and investment by the private sector, which can bring in capital, technology, infrastructure, and market access—elements essential for scaling and sustaining alternative mechanisms. In this context, the now-withdrawn ***"Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Bill, 2020"*** and ***"The Essential Commodities (Amendment) Bill, 2020"***, reflected a significant policy direction aimed at reforming Indian agriculture.

The ***'Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Bill, 2020'*** sought to create a legal framework for contract farming, thereby encouraging pre-agreed pricing and service agreements between farmers and buyers (Joseph, 2021). ***'The Essential Commodities (Amendment) Bill, 2020'***, aimed to amend the Essential Commodities Act, 1955, by deregulating stock limits on agricultural produce—intended to attract private investment by reducing restrictions storage (Government of India, (2020_a). Collectively, these bills signaled a shift toward market liberalisation, contract farming, supply chain modernisation, need for present sitiation of agricultural diversity and sustainability, reducing fiscal burden (Bezbaruah & Khan, 2020; Bhattacharya & Patel, 2021)

Going forward, future reforms must build on the lessons from this experience and pursue more inclusive, consultative, and widely accepted policy frameworks that balance the interests of farmers, private players, and the broader economy.

REFERENCES

1. Aditya, K. S., Subash, S. P., Praveen, K. V., Nithyashree, M. L., Bhuvana, N., & Sharma, A. "Awareness about minimum support price and its impact on diversification decision of farmers in India." *Asia & the Pacific Policy Studies* 4.3 (2017): 514-526.
2. Baishya, U., & Bezbaruah, M. P. "Influence of the msp-related procurement on farm harvest prices of paddy and wheat in India." *Agricultural Research Journal* 61.3 (2024): 377-387.
3. Basu, D., & Misra, K. "An empirical investigation of real farm incomes across Indian states between 1987-88 and 2011-12." No. 2022-03. Working Paper, (2022).
4. Bhattacharyya, M. "The MSP muddle." *The Statesman*. (2025).
5. Bhattacharya, S. "Farmers' agitation in India due to audacious Farm Bill of 2020." *International Journal of Research in Engineering, Science and Management* (2021).
6. Basu, K. "India's foodgrains policy: An Economic theory perspective." *Economic and Political Weekly* (2011): 37-45.
7. Behera, H. C., Pal, M., & Sinha, A. A. "Contract farming among the potato growers in West Bengal: Opportunities and challenges." *The Eastern Anthropologist* 71.1-2 (2018): 161-182.
8. Bezbaruah, M. P., & Khan, F. M. "MSP, Agricultural Reforms and the Farm Bills." *Dialogue* 22.2 (2020): 56-64.
9. Birthal, P. S., Joshi, P. K., Roy, D., & Thorat, A. "Diversification in Indian agriculture

Publisher: SARC Publisher

toward high-value crops: The role of small farmers." *Canadian Journal of Agricultural Economics/Revue canadienne d'agroeconomie* 61.1 (2013): 61-91.
10. Chaba, A. A. "Explained: Punjab mandis procure more paddy than the state produces." How? The Indian Express. (2020).
11. Chand, R. "Minimum support price in agriculture: Changing requirements." *Economic and Political Weekly* (2003): 3027-3028.
12. Chand, R. "Doubling Farmers' Income Rationale, Srategy, Prospects and Action Plan." (2017).
13. Christian, M., Obi, A., Zantsi, S., Mdoda, L., & Jiba, P. "The role of cooperatives in improving smallholder participation in agri-food value chains: A case study of one local municipality in Eastern Cape, South Africa." *Sustainability* 16.6 (2024): 2241.
14. Committee for Formulation of Agriculture Policy for Punjab State "Agriculture Policy for Punjab.Government of Punjab." (2013).
15. Damodaran, H "India's French fries export boom: How contract farming is a win-win for farmers and companies." (2025).
16. Dasgupta, S. "AMUL: The Story of the Co-operative that Became a Symbol of National Pride. Agriculture to Agribusiness Capstone." (2024).
17. Deodhar, S. Y., & Kelkar, V. "Making a new beginning on farm reforms." *Econ Polit Wkly* 59.16 (2024): 34-42.
18. Deveshwar, A., & Saloni, M. "Food Subsidy in India: A Conceptual Study." *Journal of Scholastic Engineering Science and Management* 1.6 (2022): 1-15.
19. Dutta, A., Dutta, A., & Sengupta, S. "A case study of PepsiCo contract farming for potatoes." *IOSR Journal of Business and Management (IOSR-JBM)* 75 (2016).
20. Eaton, C., & Shepherd, A. "Contract farming: partnerships for growth." Vol. 145. *Food & Agriculture Org*., (2001).
21. Editorial, The Indian Express. "Reading the MSP hike: Reset needed [Editorial]." *The Indian Express*. (2025).
22. Food Corporation of India. "Statistical data." (2024).
23. Food Corporation of India, "Statistical data." (2024). https://fci.gov.in/headquarter/statistical-data/wheat
24. Glover, D., & Kusterer, K. "Small farmers, big business: contract farming and rural development." *Springer*, (2016).
25. Government of India. "Recommendations of High Level Committee on restructuring of FCI." Ministry of Consumer Affairs, Food & Public Distribution. (2015).
26. Government of India. "All India report on agriculture census 2015–16." *Department of Agriculture, Cooperation & Farmers Welfare, Ministry of Agriculture & Farmers Welfare*. (2020).
27. Government of India. "The Essential Commodities (Amendment) Act, 2020 (No. 22 of 2020)." Ministry of Law and Justice. (2020_a).
28. Government of India, "Agricultural statistics at a glance 2023." (2023).
29. Government of India. "Convergence of schemes to meet shortage of food grains." *Press Information Bureau*. (2023_a).
30. Gulati, A. "The reform and welfare India needs." *The Indian Express*. (2025).
31. Gupta G S 1980. "Agricultural price policy and farm incomes." *Econ Polit Wkly :A123-A131*
32. Haque, T., & Joshi, P. K. "Price deficiency payments and minimum support prices-a study of selected crops in India." (2018).
33. Kalogiannidis, S., Karafolas, S., & Chatzitheodoridis, F. "The key role of cooperatives in sustainable agriculture and agrifood security: Evidence from Greece." *Sustainability* 16.16 (2024): 7202.
34. Kaur, R. "A detailed analysis of anand milk union limited (Amul) in India." *Soc. Sci. Res. Pap* 4.2 (2014).
35. Kaur, P., & Singla, N. "Empirical gains from growing potato under contract farming in Punjab, India." *Potato Research* 68.1 (2025): 679-694.
36. Kashyap, D., & Bhuyan, S. "Member Participation and Satisfaction in Agricultural Cooperatives." (2020).
37. Kashyap, D., & Bhuyan, S. "Accessing value-added market through cooperatives: a case study of Sitajakhala Dugdha Utpadak Samabai Samiti Ltd., India." *Journal of Agribusiness in Developing and Emerging Economies* 13.3 (2023): 399-417.
38. Kumar, T.N. "Union Budget 2021-22: The Burgeoning Food Subsidy Bill Will be a Key

Publisher: SARC Publisher

Budget Worry, Financial Express, Dec. 30." (2020).
39. Kumari, P., & Maria, S. "Potato and potato seed production under contract farming—a study from empirical evidence of case studies." *Potato Research* 67.3 (2024): 1113-1128.
40. Kumar, P., & Sharma, P. K. "Soil salinity and food security in India." *Frontiers in sustainable food systems* 4 (2020): 533781.
41. Kutty, T. K. "A study of performance of the Bhavantar Bhugtan Yojna Experiment in the welfare of Farmers of MP." (2021).
42. Ministry of Agriculture & Farmers Welfare. "Crops under MSP." *Press Information Bureau, Government of India*. (2025).
43. Mohanakumar, S., & PREMKUMAR. "Minimum support price and inflation in India." *Economic and Political Weekly* (2018): 10-13.
44. Mukhopadhyay, R., Saroha, D., Paul, R., Narjary, B., Bundela, D. S., Kumar, S., & Barman, A. "Clay Mineralogy and Solution Chemistry of Waterlogged Saline Soil Undergone Subsurface Drainage: Study from North-Western India." *Journal of Soil Salinity and Water Quality* 16.2 (2024): 257-269.
45. Narayanan, S., Hussain, S., & Rashid, S. "Feasibility of nationwide warehouse receipt system: An assessment of the potential for a nationwide warehouse receipt system and recommendation for the requisite legal and regulatory framework." Intl Food Policy Res Inst, (2024).
46. Parayil, G. "The green revolution in India: A case study of technological change." *Technology and culture* 33.4 (1992): 737-756.
47. Parikh, J., & Singh, C. "Extension of MSP (Minimum Support Price): Fiscal and welfare implications." (2015).
48. Panigrahy, S. R., & Kalamkar, S. S. "Intricate Agribusiness in Potato Contract Farming in Gujarat: A." *Indian Journal of Economics and Development* 17.1 (2021): 189-197.
49. Patel, R., & Mehta, S. "Cooperative Agricultural Marketing Institutions." *Indian Journal of Agricultural Economics*, 77.3 (2022): 301-315.
50. Patel, S., Singh, R., & Kumar, M. "Evaluation of Bhawantar Bhugtan Yojana in Context to Modal Price of Blackgram." *Journal of Krishi Vigyan* 7.2 (2019): 121-124.
51. Punjabi, M. "The potato supply chain to PepsiCo's Frito Lay." *Food and Agriculture Organization of the United Nations (FAO)* (2015).
52. Sajja, S., & Dave, D. R. "Dairy cooperatives in India: Structure, management, and performance." *Postgraduate Department of Business Management* (2019): 1.
53. Saini, K. "A study of agricultural price policy in farm profitability and food security with special reference to post reforms period in Rajasthan (Doctoral dissertation, The University of Rajasthan, Rajasthan, India)." (2021).
54. Sathyan, S., & Jagadeesha, S. N. "100 years of growth and success story of Nestle India-A fast moving consumer goods (FMCG) industry." *International Journal of Case Studies in Business, IT and Education (IJCSBE)* 5.2 (2021): 226-238.
55. Singh, S. "Contracting out solutions: Political economy of contract farming in the Indian Punjab." *World development* 30.9 (2002): 1621-1638.
56. Singh, G. "Punjab is usually blamed for burning paddy stubble; here is the back story to that." (2022).
57. Korekallu Srinivasa, A., Praveen, K. V., Surendran Padmaja, S., Nithyashree, M. L., & Jha, G. K. "Does a farmer's knowledge of minimum support price (MSP) affect the farm-gate price? Evidence from India." *Journal of Economics and Development* 25.4 (2023): 302-316.
58. Sud, R. "Reducing air pollution due to stubble burning in Northwest India. (2021).
59. Sumalde, Z. M., & Quilloy, K. P. "Improving marketing efficiency through agricultural cooperatives: Successful cases in the Philippines." *Retrieved January* 11 (2015): 20-21.
60. Tiwari, A. K. "A Study of Effectiveness of Marketing Strategies of AMUL for Dairy Products." *International Journal of Food and Nutritional Sciences*, 13(2), 116-125. (2024).
61. Thakare, A. B., Shende, N. V., & Bhopale, A. A. "Impact of agricultural price policy on farm harvest and wholesale prices of legumes in Maharashtra." *Journal of Food Legumes* 37.1 (2024): 101-108.
62. Mehta, V. P., Malik, D. P., & Kumar, R. "Impact of agricultural price policy on major

Publisher: SARC Publisher

food crops in Haryana." *Economic Affairs* 65.2 (2020): 267-274.
63. Neogi, S., & Ghosh, B. K. "Evaluation of crop diversification on Indian farming practices: A panel regression approach." *Sustainability* 14.24 (2022): 16861.
64. Qorri, D., & Felföldi, J. "Research trends in agricultural marketing cooperatives: a bibliometric review." *Agriculture* 14.2 (2024): 199.
65. Upadhaya, B. P. "Milk Production and Marketing in Assam: Problems and Prospects, with special reference to Mayong Block of Morigaon District in Assam." (2023).
66. Uyar, O. "Agricultural Cooperatives: Importance, Types, Pros & Cons." *Metrobi*. (2024).
67. Sukhatme, V. "Farm Prices in India and Abroad: Implications for Production." *Economic Development and Cultural Change* 32.1 (1983): 169-182.
68. Vemireddy, V., Deb, S., & Yadav, S. "Whrrl: Facilitating Agricultural Finance through Block-Chain Technology." Indian Institute of Management, Ahmedabad, (2024).
69. Yadav, S., & Anand, S. "Green revolution and food security in India: a review." *Nat Geogr J India* 65.3 (2019): 312-323.

Source of support: Nil; **Conflict of interest:** Nil.

Cite this article as:
BAISHYA, U. "The Achievements and Pitfalls of the Minimum Support Price System in India and an Exploration of Alternative Mechanisms."*Sarcouncil Journal of Agriculture* 5.3 (2026): pp 1-12.

Publisher: SARC Publisher