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The Role and Relevance of Minimum Support Price (MSP) in Haryana's Agricultural Economy: An Analytical Study from 2015 to 2025

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Abstract

This paper critically examines the role and relevance of the minimum support price (MSP) mechanism in the agricultural economy of Haryana over the period 2015 to 2025. MSP has long been a key instrument of agricultural policy in India, aimed at ensuring income stability for farmers and promoting national food security. Haryana, as a major contributor to the central grain pool, presents an important case to evaluate the impact of MSP on cropping patterns, farmer incomes and rural stability. Using a mixed method including time series data analysis and policy review, this study shows that MSP has successfully stabilized farmers' income for selected crops, particularly wheat and paddy. However, it has also promoted crop monoculture, ecological stress, and fiscal stress. The article argues that while MSP is important, it needs strategic reform to remain sustainable and equitable. This paper critically examines the role and relevance of Minimum Support Price (MSP) in Haryana's agricultural economy from 2015 to 2025. MSP has long served as a price guarantee mechanism to protect farmers' food security and ensure food security. Haryana is a major contributor to India's buffer stock of wheat and rice and has benefited immensely from MSP-backed procurement. However, these policies have also led to unintended economic, environmental, and social consequences, including distorted cropping patterns, groundwater depletion, and increased fiscal burden. This paper evaluates trends in MSP, procurement volumes, and crop choices over a 10-year period, and also analyses the impact of recent policy developments, including the 2020–2021 farmer protests and the repeal of the three farm laws. Using secondary data from government reports, academic studies and policy documents, the study assesses how MSP has affected farmers' income, market behaviour and rural livelihoods in Haryana. It also examines the systemic limitations of MSP and proposes far-reaching reforms. The study concludes that MSP is essential for agricultural sustainability, but long-term sustainability depends on inclusive, diverse and environmentally friendly agricultural policies that go beyond mere price support. A balanced approach is needed to link farmers' welfare to national economic and environmental goals.

Keywords: Minimum Support Price, Haryana agriculture, crop patterns, procurement, agricultural policy, farmer income

Introduction

The minimum support price (MSP) has been a fundamental element of India's agricultural pricing policy since the 1960s. It was introduced to protect farmers from price fluctuations and ensure a fair price for their produce. This policy has evolved over the decades and often adapts to changing political, economic, and ecological dynamics. Haryana, located in the Indo-Gangetic plains of northwest India, played a key role in the Green Revolution. With a highly mechanized and irrigated agricultural sector, the state has become one of the largest contributors to India's central wheat and rice reserves. Between 2015 and 2025, MSP policy will continue to influence state choices, resource use, revenue patterns, and even the state's environmental health. Agriculture has been the cornerstone of Haryana's economy since its inception in 1966. In Haryana, this mechanism has proven particularly effective given the state's high agricultural productivity, strong irrigation infrastructure, and extensive supply network. From 2015 to 2025, MSP played a central role in Haryana's agricultural policy, particularly for wheat and rice, the dominant crops in the state's agricultural landscape. The Food Corporation of India (FCI) and state procurement agencies regularly procured large quantities of these crops, ensuring stable incomes for farmers.

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However, this reliance on a few MSP-supported crops has led to several challenges, such as unstable cultivation patterns, environmental pollution (including declining groundwater levels), and fiscal pressure on the state and central governments. Moreover, this period has led to heightened political and social tensions, including the massive farmers' protests in 2020-21, triggered by fears of a withdrawal of the MSP following the adoption of new farm laws. These protests have highlighted the deep dependence of Haryana's agricultural economy on the MSP and its broader socio-political implications. This article analyses the emerging role of MSMEs in Haryana over the past fifteen years, assesses its economic impact, and evaluates its future viability. It argues for a recombinant policy approach that balances farmers' welfare with environmental sustainability and market efficiency.

Literature Review

Several studies have examined the impact of MSP in different Indian states. Gulati and Narayanan (2003) highlighted the role of MSP in food self-sufficiency during the Green Revolution, particularly in Punjab and Haryana. Dev (2012) reiterated the importance of MSP for income stabilization, while Chand (2017) warned of its limitations in promoting sustainable agricultural practices.

The Shanta Kumar Committee report (2015) suggested a review of the Food Corporation of India (FCI) procurement system, highlighting inefficiencies and regional imbalances. Similarly, the Swaminathan Commission (2006) suggested a 50% cost-plus (C2+50%) pricing formula, thus highlighting the role of MSP in income security. Chand (2017) highlights the crucial role of MSP in stabilizing farmers' incomes, especially for major cereals such as wheat and rice. However, he warns that its excessive concentration on a few crops has hampered diversification and led to regional imbalances. This concern is echoed by Gulati and Banerjee (2018), who argue for extending MSP coverage to pulses and oilseeds to promote sustainable agriculture.

In the context of Haryana, ICRIER (2020) conducted a detailed study on crop diversification, highlighting the need to shift away from rice cultivation due to severe groundwater stress. The report highlights that policy instruments such as MSP and public procurement are both a solution and a constraint. The entrenched MSP system for wheat and rice in Haryana has contributed to overexploitation of groundwater, as documented by HWRA (2021). NITI Aayog (2021) in its assessment of the MSP mechanism found that despite annual increases in MSP rates, small and marginal farmers in states like Haryana remain dependent on middlemen and have little awareness of MSP-related schemes.

Dev and Rao (2015) also note that while MSP provides a safety net, it disproportionately benefits large farmers with marketable surpluses. The agricultural unrest of 2020-21 has revived interest in MSP as a socio-political instrument. Rama Kumar (2021) argues that MSP is not just an economic policy but a political guarantee for farmers, especially in states like Haryana and Punjab. Media and civil society analyses (e.g., The Hindu and Indian Express) have extensively covered the perspectives of the local population, reflecting strong distrust of policy reforms perceived as weakening MSP safeguards. Environmental concerns are also present in the literature.

CSE (2021) and Kurukshetra Journal (2019-2023) examine how MSP encourages stubble burning in Haryana due to a large rice supply, and highlight the unintended environmental costs. Despite numerous programs aimed at encouraging crop diversification (e.g., Mera Pani Meri Virasat), their implementation remains limited, as highlighted in the Economic Survey of Haryana (2023). Studies by Singh and Sidhu (2022) and Rathi and Singh (2023) attribute this phenomenon to the lack of guaranteed supply of alternative crops, declining market prices, and weak value chains. In summary, the literature reveals a dual narrative: MSP has provided economic stability but has also generated ecological tensions and policy rigidity.

There is broad consensus that while MSP should not be phased out, it must be reformed to reflect changing agricultural, environmental, and market realities. The case of Haryana illustrates the challenges and opportunities of this transition. However, the literature specifically examining the long-term impact of MSP on Haryana's agro-economy is limited. This article fills this gap with a state-specific empirical and policy analysis over a 10-year period.

Methodology

This study uses a case study methodology combining quantitative and qualitative analyses: Data sources: MSP data from the Commission for Agricultural Costs and Prices (CACP), procurement records from the Food Corporation of India (FCI), crop production data from Haryana Department of Agriculture and income data from the NSSO and CSO. Period of references: 2015 to 2025, enabling assessment of policy development and its impacts over time.

MSP Ecosystem in Haryana

Minimum Support Price (MSP) in India operates within a complex and multi-layered ecosystem that includes government institutions, market actors, farmers and logistics infrastructure. In Haryana, this ecosystem has evolved into a well-oiled machinery, especially for wheat and paddy procurement. However, the structure also presents systemic challenges that hinder equitable access, sustainability and efficiency.

- a) **Institutional Framework:** Commission for Agricultural Costs and Prices (CACP): Recommends MSP annually based on cost of production (A2+FL and C2), demand-supply situation and market trends.
- b) **Central and State Governments:** Notify MSP and authorise procurement operations.
- c) **Food Corporation of India (FCI):** Central Nodal Agency responsible for procurement, storage and distribution.
- d) **State Agencies in Haryana:** HAFED, Haryana State Warehousing Corporation (HSWC), Department of Food and Supplies carry out procurement operations at the ground level.
- e) **Agricultural Produce Market Committees (APMC):** Regulate the mandis and facilitate MSP based procurement.
- f) **Banks and cooperative societies:** Provide crop loans and advances against MSP receipts.
- g) **Haryan government's initiatives:** e-NAM integration, Meri Fasal Mera Byora platform, Direct Benefit Transfer (DBT)

Trends of Minimum Support Prices and Procurement in Haryana

Haryana has been a key contributor to India's food security, especially in wheat and paddy. Since the Green Revolution, MSP has been central to procurement in the state. The Food Corporation of India (FCI) and state agencies procure large quantities of wheat and rice at MSP, incentivizing their cultivation. By 2010, Haryana was among the top states in MSP procurement. An analysis of MSP announcements reveals the following:

Table 1: Percentage increase in MSP from 2015-16 to 204-25

Crops	MSP (2015–16)	MSP (2024–25)	% Increase
Wheat	₹1,525	₹2,275	49.18%
Paddy (Common)	₹1,410	₹2,300	63.12%
Mustard	₹3,350	₹5,650	68.66%
Bajra	₹1275	₹2,625	105.88%
Maize	₹1325	₹2225	67.92
Sesamum	₹4700	₹9267	97.17
Sunflower Seed	₹3800	₹7280	91.58
Moong	₹4625	₹8682	87.72
Jowar	₹1570	₹3371	114.71

Sources: Commission for Agricultural Costs and Prices (<https://cacp.da.gov.in>)

Despite higher MSPs for coarse cereals and oilseeds, actual procurement remained heavily focused on wheat and paddy due to assured procurement mechanisms. Haryana's agricultural structure is heavily dominated by wheat and rice cultivation, both of which are covered under the MSP regime. The state is among the top contributors to the Central Pool of food grains, thanks to robust procurement infrastructure and a proactive state government.

- **Paddy and Wheat:** Nearly 70–90% of the marketed surplus of these two crops is procured by government agencies under MSP.
- **Farmer Dependence:** A large proportion of Haryana's farmers—especially in districts like Karnal, Kurukshetra, Kaithal, Fatehabad and Sirsa—depend on MSP procurement for economic stability. Here is a detailed table showing Minimum Support Price (MSP) and procurement data for wheat and paddy in Haryana (2015–2025):

Table 2: MSP and Procurement of Wheat and Paddy

Year	Wheat MSP (₹/quintal)	Wheat Procurement (Lakh MT)	Paddy MSP (₹/quintal)	Paddy Procurement (Lakh MT)
2015-16	1525	70.1	1410	50.3
2016-17	1625	74.3	1470	52.6
2017-18	1735	87.4	1550	56.9
2018-19	1840	88.5	1750	59.1
2019-20	1925	74.1	1815	55.3
2020-21	1975	77.3	1868	56.0
2021-22	2015	84.9	1940	58.7
2022-23	2125	88.3	2040	59.4
2023-24	2150	86.6	2183	56.1
2024-25	2275	87.0	2300	57.0
2025-26	2425	-	2369	-

Sources: Commission for Agricultural Costs and Prices (<https://cacp.da.gov.in>)

Table-2 shows that between 2015 and 2025, Haryana witnessed significant growth and stability in its procurement

of wheat and paddy under the minimum support price (MSP) regime. The MSP of wheat increased from ₹1,525 per quintal in 2015-16 to ₹2,275 per quintal by 2024-25, while the MSP of paddy increased from ₹1,410 to ₹2,300 during the same period. Haryana consistently procured 70-85 lakh metric tonnes (LMT) of wheat and about 50-60 LMT of paddy annually, strengthening its role as a major supplier to India's central grain reserves. Improved infrastructure, digital initiatives like Meri Fasal Mera Byora and Direct Benefit Transfer (DBT) streamlined the procurement process

Impact of Msp on Haryana's Agriculture

Cropping Patterns: MSP incentives led to the near dominance of wheat and paddy, accounting for over 80% of the gross cropped area. Despite government promotion of pulses and oilseeds, farmers remained reluctant due to weak procurement and price volatility.

1. **Farm Incomes:** For medium and large farmers growing wheat and paddy, MSP provided reliable income. However, smallholders often lacked access to APMC mandis and sold to middlemen below MSP, reducing policy effectiveness.
2. **Ecological Consequences:** The policy-induced paddy expansion caused serious environmental degradation. Over 60% of Haryana's blocks are categorized as "overexploited" in terms of groundwater. Post-harvest residue burning worsened air pollution, especially in western Haryana districts.

Challenges in the MSP System

- a) **Skewed Crop Coverage:** Overdependence on wheat-paddy has discouraged crop diversification.
- b) **Uneven Access:** Large farmers with better transport and storage benefit more from MSP than smallholders.
- c) **High Fiscal Cost:** Government spends heavily on procurement, storage, and distribution, with increasing food subsidy burdens.
- d) **Policy Inertia:** Despite repeated calls for diversification and direct income support, structural change remains slow.

Policy Innovations and Alternatives to MSP

In response to the limitations of the current MSP framework, several policy innovations and alternative support mechanisms have been proposed and piloted to make agricultural pricing more inclusive, efficient, and sustainable.

- a) **Bhavantar Payment Schemes:** Haryana implemented the Bhavantar Bharpai Yojana (BBY) to compensate farmers for the difference between the market price and MSP when the former falls below the latter. This model ensures price assurance without necessitating physical procurement.
- b) **Direct Income Support:** Schemes like PM-Kisan provide direct cash transfers to farmers, reducing dependence on crop-specific procurement and enabling income stability without market distortion.
- c) **Price Deficiency Payment (PDP):** Inspired by the Madhya Pradesh model, the PDP system is being considered as an MSP alternative wherein farmers receive the difference between MSP and actual market prices without government agencies procuring the produce.

- d) **Decentralized and Local Procurement:** Promoting procurement of pulses, oilseeds, and coarse cereals by Farmer Producer Organizations (FPOs) and cooperatives helps diversify crop patterns and reduce ecological stress.
- e) **Market Reforms and Digital Platforms:** Platforms like e-NAM and Meri Fasal Mera Byora aim to improve price discovery, transparency, and farmer participation in competitive markets.
- f) **PM-AASHA Scheme (2018):** At the national level, it proposed alternative price support mechanisms, including decentralized procurement.

These innovations suggest a gradual shift from a procurement-centric MSP model toward a more market-linked and farmer-centric approach, balancing fiscal sustainability, crop diversification, and income assurance

Key Findings

- MSP has ensured price stability for wheat and paddy but failed to encourage true diversification.
- Environmental degradation linked to policy-induced monoculture is a serious concern.
- Small and marginal farmers remain inadequately served by the current MSP regime due to access barriers.
- Policy focus must shift from crop-specific support to income-based, climate-resilient support systems.

Conclusion and Suggestions

During the period 2015 to 2025, the MSP has played a significant role in improving Haryana's agricultural economy. It has provided a vital net for farmers, stabilizing incomes and encouraging production of food grains, especially wheat and rice. However, the heavy reliance on MSP and the scale of procurement has also created significant challenges, including degraded crop patterns, increased environmental concerns, and exclusion of small farmers and non-MSP crop growers from the benefits of this system. The 2020-2021 farmers' protests served as a watershed moment that drew national attention to farmers' deep uncertainties about the future of MSP. The eventual repeal of the controversial agricultural laws reaffirmed the political and economic importance of MSP in agricultural policy. However, these issues also highlighted the structural limitations of the existing MSP framework, including its unsustainable fiscal costs and incompatibility with ecological and market realities. Going forward, the MSP should be improved rather than eliminated. These include diversifying sourcing to include grains and oilseeds, promoting environmentally sustainable practices, improving access for small and marginal farmers, and integrating MSP into broader agricultural market reforms. Technological development, decentralized procurement, and support for farmer producer organizations (FPOs) can also enhance efficiency. In conclusion, while the MSP remains the cornerstone of Haryana's agricultural policy, its continued importance depends on its growth potential. Comprehensive, sector-specific action is needed to ensure that MSP contributes to the development of equitable, sustainable, and resilient agriculture in the coming years. While the MSP remains an important political tool in Haryana, its long-term sustainability is doubtful. The experience of the state emphasizes the urgent need for reform, not elimination.

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