



Centre increases minimum support price for copra

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What is MSP

- **Minimum Support Price** is the **assured price** announced by the Government of India at which it **procures crops from farmers**, irrespective of market price fluctuations.
- Objective: **Protect farmers from distress sales** when market prices fall sharply.

Legal & Institutional Framework

- **Not a statutory right**; MSP is an **administrative decision**.
- **Announced by**: Government of India before the sowing season.
- **Based on recommendations of**: **Commission for Agricultural Costs and Prices (CACP)**.
- **Final decision taken by**: **Cabinet Committee on Economic Affairs (CCEA)**.
- **Procurement agencies**:
 - Food Corporation of India (FCI) – cereals
 - NAFED – pulses, oilseeds
 - Cotton Corporation of India (CCI) – cotton

Crops Covered under MSP

- MSP is announced for **23 crops**:
 - **7 cereals**: Rice, Wheat, Maize, Jowar, Bajra, Ragi, Barley
 - **5 pulses**: Tur, Urad, Moong, Gram, Lentil
 - **7 oilseeds**: Groundnut, Mustard, Soybean, Sunflower, Sesamum, Nigerseed, Safflower
 - **4 commercial crops**: Cotton, Jute, Sugarcane*, Copra
- (*Sugarcane has FRP instead of MSP)

Cost Concepts Used by CACP

- **A2**: Paid-out costs (seeds, fertilisers, labour, etc.)
- **A2 + FL**: A2 plus imputed value of family labour
- **C2**: A2 + FL + imputed rent on land + interest on capital

Current Policy:

- MSP is fixed at **at least 50% above A2 + FL cost**, as recommended by **MS Swaminathan Committee**.

Objectives of MSP

- Ensure **income security** to farmers.
- Encourage **production of essential crops**.
- Stabilise **food prices** and ensure food security.
- Maintain **buffer stocks** under Public Distribution System (PDS).

Benefits

- Protects farmers from price volatility.
- Supports **foodgrain procurement** for NFSA.
- Provides price signals before sowing.
- Enhances **rural income stability**.

Limitations / Issues

- **Skewed procurement:** Mainly benefits wheat and rice farmers.
- **Regional imbalance:** Punjab, Haryana, western UP dominate procurement.
- **Market distortion:** Discourages crop diversification.
- **Fiscal burden:** High storage and subsidy costs.
- **Environmental impact:** Overuse of water and fertilisers.

Recent Reforms & Alternatives

- **Price Deficiency Payment (PDP):** Compensation if market price < MSP.
- **PM-AASHA Scheme:** Support for oilseeds and pulses.
- **e-NAM:** Improves price discovery via digital markets.
- **Direct Income Support:** PM-KISAN as complementary support.