

Impact of Minimum Support Price Procurement on Agricultural Marketing and Farmers' Welfare in Aurangabad District

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Abstract: *Minimum Support Price (MSP) procurement is one of the significant methods/monetary policies adopted in India to ensure farmers remuneration is adequate, reducing uncertainties during the market, and strengthening the agricultural markets. The present study attempted to address two such questions which are concerned with the effect of MSP procurement on the agriculture marketing at the agricultural level and welfare of those farmers in Aurangabad District of Maharashtra. This study the awareness and participation of farmers into MSP procurement, influence of MSP procurement on the decision of farmers about their crop marketing, stability of farmers income, realized prices and realized profitability or overall socio-economic condition of the farmers. Primarily the information was gathered through farmer group discussions and secondary data was collected from Government reports, Agricultural marketing boards and published literature. The relationship between MSP procurement and the farmers welfare indicators was done through the use of statistical analysis which comprised of descriptive analysis, correlation and regression respectively. The findings suggest that implementation of MSP has undoubtedly enhanced the farmers' bargaining power, reduced the number of distress sale, improved market access to organized markets and contributed to farmers' income security. The study also identifies different types of constraints like the number of procurement centres, delays in procurement and payment, ignorance among small and marginal farmers, infrastructural problems etc that act as a hindrance in the movement of MSP system. The study concludes that better procurement infrastructure, broader access to markets, greater awareness of digital and timely payments can help improve the effectiveness of MSP procurement. The study has important policy recommendations to develop and enhance the effectiveness of the agricultural market and make the farming more sustainable in Aurangabad District.*

Keywords: Minimum Support Price (MSP), Agricultural Marketing, Farmers' Welfare, Procurement, Income Security, Aurangabad District, Price Support Policy, Sustainable Agriculture.

I. INTRODUCTION

Despite the agriculture sector's contribution in the Indian economy, this sector is still considered as an important source of livelihood to a large number of the people, food security, and rural development too. Although the agricultural sector is becoming unimportant due to the growth of the service sector and the industrial sector, it is yet the core of the rural economy and employs almost 45% of the population. Although farmers have had some successes they continue to face challenges such as low prices for remunerative markets, rising input costs, uncertainty of climatic conditions, ILP, inventory solutions and intermediaries. Such issues lead to inadequate farm incomes, low productivity and farm produce sales taken at distress prices as well as higher risk of the farming households. In this context, interventions to support the interests of farmers and to stabilize farm markets are becoming a necessity. The Most significant policy

measure undertaken by Govt. of India is 'Minimum Support Price (MSP) System' which ensures a minimum price for the specific agricultural commodities and ensures the safety net to the specific commodities.

Government of India sets the Minimum Support Price, the target is suggested by the Government's Commission for Agricultural Costs and Prices (CACP) every year. MSP is designed to safeguard farmers against price volatility of the produce in the market, and to assure them a minimum price. Selling at MSP on the announcement of support price is when government procurement agencies such as FCI, NAFED, CCI, State procurement agencies, etc. acquire the same crop from the farmers when market prices of eligible crops drop below the announced support prices. The policy contributes to the protection of the farmer from distress sale and ensures food grain stocks for distribution to the poor, the nation's food security. Over the years, MSP has emerged as one of the most powerful and significant price support mechanisms, making decisions in the agricultural sector, cropping patterns and agriculture marketing across the country.

Agricultural marketing has a key influence in the level of farmer income and welfare. It includes all the activities/operation involved in the processing of agricultural products from the farm to the consumers point involving aspects of assembling, grading, storage, etc., transportation, processing and distribution etc. An efficient agricultural marketing system helps the farmers to sell their produce at just prices and the consumers to buy the good produce at pocket friendly prices. However, in many parts of India like Maharashtra the agricultural marketing suffer from low level of agricultural infrastructures, poor linkage with organised markets, inadequate storage system, poor transport infrastructures and government's involvement of intermediaries and middlemen in the business of selling the agricultural products. All these factors can also help to reduce the bargaining power of farmers, forcing them to sell their fares post the harvest, without having time to negotiate for better terms and price. The procurement process of MSP will alleviate or provide answers for a lot of these situations as it guarantees a farmer market and offers a price support to the farmers, which will improve the efficiency of farmers market and reduce farmers dependence on private traders.

If the concept of farmers welfare includes the economically stable farmers, better standard of living, better access to institutional development finance, high investment in farmers agriculture, better access to education and healthcare etc., and farmers' ability to withstand risks in markets and climatic risks, it can be extended to farmers who have a good living. Good living farmers who are also economically above poverty point, have access to high standard of living, access to institutional loan, huge investments in agriculture and education, healthcare etc. and are capable of coping up with market and climatic hazards etc. Extension of concept of farmers' well-being to economically stable farmers, farmers having access to good living standard, farmers having access to institutional loan, the huge investment in farmers agriculture etc. Farmers education, health and care and their capability to bear market and climatic risks etc. The efficient MSP procurement mechanisms are playing a very important role in the welfare of the farmers apart from forecasting income, it also has helped them to cope with uncertainty, modern technologies and quality control of inputs and make better financial planning. A stable and better income for the farmers will also offer them the opportunity to diversify their farming activities, use better farming practices and increase productivity. But the success of MSPs depends on various elements including awareness of farmers, ease of access at procurement centres, transparency in procurement issues, timeliness of recall to farmers and availability of transport facilities and effective management of the MSP by the government.

The Aurangabad District in Marathwada, Maharashtra is one of the agriculturally important districts where soybean, cotton, wheat, maize, tur (pigeon pea), gram and jowar is grown on a large scale. The farming is rain fed mainly and farmers are highly dependent on climatic variation and drought conditions as well as uncertainty arising in the market. Though the MSP procurement has been adopted in various major crops by Govt procurement centres and Co-operative institutions, the impact of MSP on agri marketing and farmer's welfare are different in various categories of farmers. Insufficient awareness of procurement procedures, lack of documentation, transportation issues, delayed procurement and lack of storage capacity are often barriers for numerous small farmers and/or marginal farmers. These issues can create lower uptake of the MSP procurement system and decrease the policy outcomes.

The Government of India has embarked on various reforms in recent years to boost the agricultural markets by introducing digital registration, increasing procurement centres, online-based National Agriculture Market (e-NAM), direct benefit transfers and better procurement regulations. The goals of these programs are to improve transparency, lower transaction costs and the potential for farmers to be able to access lucrative markets. However, the procurement practices vary across the regions, which indicates that empirical studies focused on the different regions are needed to investigate the effect of implementing MSP. The degree of agro-economic impacts of MSP procurement on efficiency of agricultural marketing, price realization, yield income and socio-economic welfare of farmers is crucial in designing better agricultural policies which are more inclusive and more effective.

In this background, the present study titled 'Effectiveness of Minimum Support Price procurement on Agricultural Marketing outcome and Farmers welfare in Aurangabad District' wants to explore and investigate how efficient MSP procurement in enhancing the overall agricultural marketing outcome and improving farmers welfare in Aurangabad District? It explores the awareness and appending of farmers to MSPs procurement, the impact of MSPs on farmers price realization, socio-economic benefits in terms of income stability, marketing efficiency and farmers challenges in the course of the procurement. Based on the findings from the study, it will be beneficial to policy makers, agriculture marketing agencies, researchers and other stakeholders in strengthening the MSP procurement system and other sustainable agriculture for inclusive rural prosperity in Aurangabad District.

II. LITERATURE REVIEW

The introduction of the policy of Minimal Support Price (MSP) in the agriculture, India is one of the most much discussed agricultural interventions with the intent to safeguard the farmers from the volatility of the prices, remuneration and stabilize agricultural marketing. Large number of research studies, research organizations last few years have done their research on the effect of MSP on farmers income and patterns of the agricultural activity and welfare to farmers. A general discussion is provided of the general studies used and relevant to the current research.

Members Reference Service, LARRDIS, Lok Sabha Secretariat (2018) explained elaborately about "Minimum Support Price" system in India, its importance, how it works in India. Using MSP as a protective device for Farmers in this report, we can see it will help ensure a Minimum Remunerative price for specific Production/functioning crops and reduce the risk of price fluctuations impacting farmers. It has also touched upon the responsibility of institutions concerned in the implementation of the MSP policy such as food corporation of India (FCI), national agricultural co-operative marketing federation (NAFED) and Government procurement agencies. The report showed, however, that the positive effect of MSP is only at the specific geographical areas and specific crops; this suggests extending geographic reach and development of procurement structures.

Das (2020), studied the factors influencing access for the farmers towards the MSP procurement for India. The study identified that the involvement of farmers in the MSP procurement activities is influenced by a number of factors such as the level of education, awareness, distance to MSP procurement centres, market infrastructure and institutional support amongst others, besides the farm size of farmers. Multiple issues related to logistics and procedure, besides key access gap for small and marginal farmers getting MSP benefits prevailed. Finally the study identified a key focus for enhancing farmer participation and improving farmer income security, it was essential to reinforce procurement systems and expand both the number of farmers enrolled in the system and number of awareness programmes and/or procurement centres established within the system.

Aditya, Sharkara, Pathak, and Mathur (2017) conducted a study on its level of awareness and the effect it has on crop diversification decision of farmers in different geographical location across India. The researchers also mentioned that the awareness of MSP was also found to vary among the farmers and larger and more educated farmers were availed of MSP facilities more often. The study found that the determination of production of the crops was significantly affected by MSP, where assured prices draw farmers towards producing crops which are integrated into the MSP procurement system. However, small farmers were found to be lacking in awareness regarding this policy and it had less impact on equivalentizing agricultural development.

In the Centre for Advanced Research in Agricultural Sciences Kumar Mahto and Patil discussed the issues related to agricultural price support and procurement. They found that MSP makes an important contribution to price stability which translates to lower market uncertainty and facilitates agricultural production. The research pointed to the importance of effective procurement processes, on-time payments, adequate storage spaces, in order to implement it effectively. It recommended strengthening institutional linkages to maximising the impact of MSP on the farmer.

They did a case study on the effectiveness of MSP policy in paddy procurement in Punjab, which involved Ali, Sidhu and Vatta. Their findings revealed that the service of MSP had a positive impact on the reductions of income risk and on encouraging the farmers' investment in their agricultural production. The guaranteed procurement system eliminated the reliance on private traders, and gave farmers more negotiating power. Even so, the researchers noted that Karnataka's constant purchase of paddy resulted in high level of concentration of paddy crops as well as the depletion of resources which calls for a greater emphasis on crop diversification policies when implementing MSP.

Patel et al., 2019 have studied the long run trend in Minimum Support Price and production cost of wheat and paddy. Their study revealed that over a period the price of MSP has been on the positive side, but with the increase in the cost of cultivation, the farmers' income is falling. The researchers underlined the importance of revision of MSP in accordance to the production cost principles to ensure its viability. Further, the study highlighted the link between the price of MSP and input price and inflation which has to be strengthened to ensure that farmer's purchasing power is further maintained.

Devi et al. (2016) analyzed the correlation between Farm Harvest Price (FHP), cultivated area and the price of major food grain crops of Gujarat with MSP. The results showed that rise in MSP led to an increase in the increased area cultivated by the farmers under their major food grains crops due to their optimism of the returns which is provided by the food grain crops. The study found that with an effective procurement and marketing infrastructure, MSP had a positive impact on production decisions, and helped boost agricultural growth.

Lakra and Singh (2023) did an economic analysis of the MSP-supported crops from Chhattisgarh. Results of the study demonstrated great importance of the contribution of the use of MSP procurement to the income stability of farmers, with an increase in income stability of the farmers and monitoring of a reduction in distress sale, as well as the use of new farming technologies. There were, however, still weaknesses in the way the policy was being implemented in the different region such as poor procurement centres, slow procurement operations, lack of adequate store and differences in how the policy was being implemented. The authors recommended the spread of procurement infrastructure, and development of digital mechanisms and procedures of recordation to improve farmers access cuts to MSP benefits.

The process for calculating MSP was discussed in an article in Down to Earth and efforts were made to talk about the rationale behind not using the full cost (C2) formula recommended by several experts for calculating MSP. The methodology used may not provide suitable support for farmers to meet the cost of production, therefore affecting the adequacy of income support, as has been recommended in this article. It underscored the need for a 'scientific updates' of approaches and methods in estimating cost and the need to establish MSP.

The Government of India while implementing MSP procurement has been varying its activities regularly by notification in the Press Information Bureau (PIB). They involve improving farmers' registration, implementing Direct Benefit Transfer (DBT) in the payment process for procurement, digitization of farmers' registration and improving the logistical parts of procurement and communication with the farmers before the sowing seasons. The reforms are expected to make the process of clearing the time limits more transparent and fast; as well as help farmers get paid in time; and also facilitate smooth farming market activities, government reports said.

1st situation assessment of the agricultural households of India was conducted during Covid-19 lockdown by ministry of stats and proposal execution (MOSPI) (2019) which provided essential facts to the socio-economic situation of the agricultural households of India. The report also found that there continues to be a lot of uncertainty in agriculture because of fluctuating prices, unpredictable weather and smaller parcel sizes. It brought to the table the importance of institutional assistance in terms of sustainability farmer income; farmers economic vulnerability in terms of MSP, Crop insurance, agricultural credit.

The literature reviewed, which included recent research on the positive effect of MSP procurement, consistently shows that MSP has positive effects on agricultural marketing, including price stability, reduced distress sales, increased farmers bargaining power and increased farmers' income security. It further facilitates investments in agriculture, and triggers decisions on cropping. However there are various constraints as reported in few studies, such as lack of awareness among the small and marginal farmers, lack of enough procurement support, delay on payment, disparity of procurement works between regions, lack of enough procurement coverage of crops, and lack of enough coverage of beneficiary. The results suggest a localisation of empirical studies to assess the effectiveness of MSP procurement in particular regions. Hence, the present study has focused on Aurangabad District to examine the impact of MSP procurement on the efficiency of the agricultural marketing systems, and farmers welfare as well as the challenges in the area and the needed measures to make MSP better in the region.

Objectives of the Study

- To examine the level of awareness and participation of farmers in the Minimum Support Price (MSP) procurement system in Aurangabad District.
- To assess the impact of MSP procurement on agricultural marketing and farmers' welfare, with reference to price realization, income stability, reduction in distress sales, and overall socio-economic well-being of farmers.
- To identify the major challenges and suggest measures for improving the effectiveness of MSP procurement in strengthening agricultural marketing and enhancing farmers' welfare in Aurangabad District.

Hypothesis

Null Hypothesis (H_{01}): There is **no significant relationship** between farmers' awareness of the Minimum Support Price (MSP) procurement system and their participation in MSP procurement in Aurangabad District.

Alternative Hypothesis (H_{11}): There is a **significant relationship** between farmers' awareness of the Minimum Support Price (MSP) procurement system and their participation in MSP procurement in Aurangabad District.

III. RESEARCH METHODOLOGY

The present study is descriptive and analytical in nature as the objective was to examine the effect of Minimum Support Price (MSP) procurement on marketing and welfare of agricultural farmers who were operated in Aurangabad district in Maharashtra. For achievement of the study goals/aims and objectives, particularly the use of both primary and secondary data have become resilient means for the study. Primary data were gathered from farmers through a well-structured and pre-tested questionnaire consisting of closed-ended questions along with the use of Likert scale questions on various aspects such as awareness about MSP, farmers' participation in procurement, farmers' price realization, awareness of farmers about marketing practices, price stability and welfare indicators. The secondary data have been collected from various reliable sources like Ministry of Agriculture and Farmers' Welfare, National Agricultural Co-operative Marketing Federation (NAFED), Food Corporation of India (FCI), Agricultural Produce Market Committees (APMC), Government reports, research journals, research books and published articles etc. It was targeted to the farmers who grow supported crops of MSP in Aurangabad District. A random sampling method of multistage was adopted to reach respondents in the various talukas and villages which ensured the representativeness of all the categories of farmers. In total, there were 300 farmers in the study. A study with 300 farmers was carried out. The main objective of the questionnaire was to gather data and information about the selected demographic characteristics such as age, gender, marital status, education, relationship to the family head, concern of child labour and sex discrimination among others, the farming profile (type of business unit, area of land tilled, bean size, livestock kept, low-capacity assets and distance to farm and trade centre), awareness of MSP, use of the procurement centres, challenges encountered during the market, agricultural marketing activities, income level and the generated improvement of welfare. Data that was gathered was coded, classified and analyzed using the SPSS (Statistical Package

for Social Science). Descriptive statistical tools which were frequency distributions, percentages, mean and standard deviation were used to summarize the results regarding the respondents' characteristics and the respondents' responses. The hypotheses were analyzed and the relationship between the variables of the study were investigated by different inferential statistical tests that include the following: Chi-square test, Pearson correlation test, Regression Analysis and Analysis of Variance (ANOVA). Both the reliability and validity of the questionnaire was evaluated through the use of Cronbach's alpha, and expert review and pilot testing before the final survey. The findings were presented in tables, charts and graphs that were appropriate for the interpretation of the findings. The study abides with ethical approach to research, as the participation of the respondents is done on a voluntary basis, the identity issued to the respondents is kept confidential and the information collected from the respondents is used only for academic and research purposes. The adopted methodology provides a systematic way of analyzing the extent of success in MSP procurement for improved efficiency in agricultural marketing and increasing farmers' welfare in Aurangabad District.

Table 4.1: Descriptive Statistics of Farmers' Awareness and Participation in MSP Procurement (N = 300)

Variables	N	Minimum	Maximum	Mean	Standard Deviation
Awareness of MSP Procurement System	300	1.00	5.00	4.08	0.72
Knowledge of MSP Registration Process	300	1.00	5.00	3.89	0.81
Awareness of Procurement Centres	300	1.00	5.00	3.95	0.77
Participation in MSP Procurement	300	1.00	5.00	3.84	0.86
Frequency of Selling Produce under MSP	300	1.00	5.00	3.67	0.91
Satisfaction with MSP Procurement Process	300	1.00	5.00	3.74	0.84
Overall Awareness and Participation	300	1.00	5.00	3.86	0.79

Source: Primary Data.

Interpretation

Overall the average score over the five-point scale (0 to 4) was 3.86 (SD = 0.79) indicating a relatively high awareness among the respondents about the MSP procurement system. The mean of Awareness of MSP procurement system was highest (4.08 ± 0.72) indicating that maximum number of farmers were aware about the awareness of MSP procurement system. Average scores for procurement centres (3.95 ± 0.77) and knowledge of registration process (3.89 ± 0.81) were also acceptable. Farmers participation in with MSP procurement had a mean score of 3.84 ± 0.86 representing low to moderate participation while farmers selling of produce under the MSP procurement had comparatively low mean score valued at 3.67 ± 0.91 (low to moderate participation level) it means farmers were not all sold their produce regularly under MSP. The convergence of people's perceptions is represented by the reasonably small standard deviation values. The descriptive results placed a good picture regarding awareness of MSP procurement system with good participation of farmer in Aurangabad District and statistical testing of the relationship of awareness with participation will be more supportive.

Table 4.2: Pearson's Correlation between Farmers' Awareness of MSP and Participation in MSP Procurement (N = 300)

Variables	Awareness of MSP Procurement System	Participation in MSP Procurement
Awareness of MSP Procurement System	Pearson Correlation	1.000
	Sig. (2-tailed)	—
	N	300
Participation in MSP Procurement	Pearson Correlation	0.682
	Sig. (2-tailed)	0.000
	N	300

Source: Primary Data (SPSS Output)

Interpretation

Farmers' awareness of the Minimum Support Price (MSP) procurement system is seen as positively correlated with the farmers' involvement in MSP procurement operations ($R = 0.682$) as found out from the Pearson correlation analysis. With the significance value ($p = 0.000$), we can conclude that the relation is statistically significant since $p < 0.05$. Thus, the null hypothesis (H_{01}) is rejected and the alternate hypothesis (H_{11}) is accepted. Enhancing farmers' understanding of the MSP scheme, procurement processes, eligibility rules and procurement centres can significantly increase the involvement of farmers in the MSP procurement. The higher the farmers' knowledge level on MSP system, the higher is the utilization of the government procurement facilities esp ensuring availability of assured prices, dependency of private traders improves.

Overall Conclusion

To conclude, the present study, instituted to find out the effect of Minimum Support Price (MSP) procurement on Agricultural Marketing and Farmers Welfare in Aurangabad district showed that the MSP procurement was proved as having significant impact on the efficiency of agricultural marketing and farmers welfare. The evaluation reveals that the procurement of MSPs brings farmers a certainty of payout in return for what they produce, reduces distressed farmers' sales of produce in the market, provides better autonomy in the agricultural market and assists with income stability. More purchase rates at MSP are associated with better ability to manage fluctuations in the buy back price and informed production and marketing decisions.

The study also shows the farmers awareness about MSP procurement system is satisfactory in Aurangabad District and their awareness is also helpful to participate in MSP procurement activities to a great extent. This positive and statistically significant Pearson correlation between awareness and participation indicates that enhancing knowledge about the scheme by educating farmers on how the system works, the registration process, eligibility and procurement centres can significantly boost the farmers' participation in MSP. Thus, having an awareness is one of the key components for successful MSP procurement.

While there are some positive aspects of MSP, the study identifies a number of challenges with the way it is operating that prevented these benefits from being realised. This includes absence of procurement centres, slow procurement and delays in payment, poor transportation and storage facilities, complexity in procurement processes and inaccessibility of procurement centres for small and marginal farmers. They are obstacles that prevent farmers to enter into the procurement system and compel some of them to sell their produce to private buyers at lower prices.

Overall it is concluded that MSP is a good policy tool in promoting the equity of agricultural marketing and enhancing farmers' welfare in Aurangabad District. But its success can be furthered through Extension programmes to raise awareness, streamlining registration processes, timely procurement and payment, further development of digital procurement platforms and better coordination between procurement agencies. Increased support for sustainable agriculture, better farm income and inclusive rural economy through these steps will be translated into more farmers, particularly small and marginal farming household benefitting from the downloading of MSPs.

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