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Market Volatility and MSP Debates in 2024–25: Implications for Farmer Income Stability in India

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The agricultural year 2024–25 has brought the issue of farmer income stability to the centre of national discussion once again. With fluctuating market prices, unpredictable climate events, and rising cost of cultivation, farmers across India are experiencing one of the most uncertain economic periods in recent years. As a result, the debate over the Minimum Support Price (MSP)—its relevance, sufficiency, and legal guarantee—has resurfaced with new urgency. MSP has always been a safety net intended to protect farmers from severe market crashes. But in 2024–25, when prices of several commodities fell far below their cost of production, many farmers and organisations renewed demands for a legal MSP mechanism to ensure assured procurement and fair returns. This period has highlighted a deeper question: Can Indian agriculture remain viable without stable price assurance and income protection mechanisms?

Understanding the Nature of Market Volatility in 2024–25

Market fluctuations during 2024–25 were not confined to one region or one crop—they were widespread and affected almost every farming household. Several factors contributed to this volatility. Climate disruptions, such as unseasonal rainfall and extended dry spells, affected yields and created supply inconsistencies. At the same time, global uncertainties—ranging from international commodity price movements to geopolitical tensions—influenced India's export and import policies. Frequent changes in export bans on commodities like wheat, rice, onion, and sugar added another layer of instability for farmers. Farmers growing vegetables and perishable crops faced particularly harsh conditions. In some months, tomato, onion, cauliflower, and potato prices collapsed drastically due to oversupply and lack of storage. Cotton and soybean growers in central India experienced price dips below expectations owing to weaker demand in global markets. Even for crops where MSP exists, not all farmers could access procurement facilities, leading to distress sales at local mandis. This unstable market environment revealed the vulnerability of small and marginal farmers, who have limited holding capacity and cannot store their produce to wait for better prices. Many of them are forced to sell immediately to cover debts, input costs, or household expenses, leaving them exposed to sharp market swings.

Rising Cost of Cultivation and Shrinking Margins

The volatility in market prices coincided with a steep increase in cultivation costs. Fertilizers, labour, diesel, seeds, veterinary services, and pesticides became more expensive between 2020 and 2025. For many farmers, input costs rose faster than the selling price of their crops, widening the gap between investment and income. As a result, even a small drop in market prices pushed farmers into negative profit margins. For crops like mustard, soybean, and pulses, the difference between production cost and market price became so narrow that households struggled to recover their basic investment. This combination—rising cost of production and falling output prices—made 2024–25 one of the toughest years for farm profitability. It is in this economic environment that the conversation around MSP gained

renewed importance. Farmers increasingly sought a mechanism that would guarantee minimum returns and protect them from extreme market fluctuations.

MSP: A Safety Net or a Broken Shield?

The Minimum Support Price was created as a safety measure to ensure that farmers receive a fair price for their produce. However, the system in its current form covers procurement for only a few commodities—mainly wheat, paddy, and a limited quantity of pulses and oilseeds. Even in these crops, procurement is concentrated in certain states and districts, leaving many farmers outside its reach. In 2024–25, the MSP debate intensified mainly because farmers felt that the existing system no longer provides adequate protection. Many expressed concerns that MSP announcements alone do not ensure actual procurement, especially in states lacking strong mandi infrastructure or transport networks. Others argued that while MSP is declared for 23 crops, meaningful procurement happens for just a handful. This sense of insecurity led farmers to demand a legal guarantee of MSP—a mechanism that ensures no crop is purchased below the declared support price. The demand reflects a deeper fear: that without assured income, agriculture will not remain economically viable, especially for smallholders who cannot absorb repeated losses.

Impact of Market Volatility on Different Categories of Farmers

Market instability does not affect all farmers equally. Small and marginal farmers face the highest vulnerability because they produce in smaller quantities and lack the resources to store, grade, or transport their produce to better markets. Many of them depend on local traders who often dictate prices based on local supply-demand imbalances. Medium and large farmers, although better equipped, also face serious challenges. High investment in machinery, labour, and fertilizer means their break-even point is already high. When prices fall dramatically—as seen in 2024–25—their returns shrink considerably, affecting long-term sustainability. Women farmers, tenant farmers, and landless labourers also face indirect impacts. When market prices fall and farm profits decline, wage rates often stagnate or decrease, reducing rural employment security. Thus, market volatility affects not just producer income but also the wider rural economy.

The Larger Economic Context Driving MSP Demands

MSP demands are not solely about price; they are about income stability. Farmers see MSP as a mechanism to counter the unpredictability of open markets, which are influenced by global trends beyond their control. As climate shocks become more common and input prices continue to rise, the need for predictable and stable income becomes more urgent. Additionally, crop diversification—which is essential for ecological sustainability—becomes difficult without assured prices. For example, many farmers hesitate to grow pulses, oilseeds, or millets without guaranteed returns, even though these crops are crucial for soil health and nutrition. A strong MSP framework can guide such diversification by reducing the financial risk associated with alternative crops.

Possible Pathways for Income Stability Beyond MSP

While MSP remains central to current debates, experts also highlight other pathways for stabilizing farmer incomes. Strengthening Farmer Producer Organizations (FPOs) can enhance bargaining power and enable farmers to access better markets. Improved storage, cold chain, and transport infrastructure can reduce post-harvest losses and allow farmers to sell when prices are favourable. Value addition—such as processing mustard seeds into oil or tomatoes into puree—can significantly increase farm income. Promotion of Integrated Farming Systems (IFS) can also reduce dependence on a single crop and spread risk across livestock, horticulture, fisheries, and other activities. Digital pricing tools, contract farming, and e-NAM platforms offer additional avenues for better market access. These measures, when combined with MSP reforms, can create a strong safety net for farmers.

Conclusion

The year 2024–25 has reaffirmed a fundamental truth: farmer income cannot depend solely on market forces. Unpredictable prices, high input costs, and climate variability have created economic stress across rural India. The intensifying demand for a legal MSP reflects the need for assured income and confidence in agricultural stability. At the same time, strengthening market infrastructure, promoting value addition, and integrating diverse farm enterprises will be essential to building long-term resilience. Ensuring income stability is not just a matter of economic policy—it is central to safeguarding the dignity, security, and future of millions of farming families. As India moves forward, creating a fair and predictable agricultural system will be vital for sustaining both rural livelihoods and national food security.