

Study number - 195

Decentralized Procurement Scheme for Procurement of Paddy under Minimum Support Price (MSP) in West Bengal

Mehedi Hasan
Sridev Adak
Saptarsi Chakraborty
Rishav Mukherjee
Sreejit Roy



Agro-Economic Research Centre (AERC)
(For the States West Bengal, Sikkim and Andaman & Nicobar Islands)
Visva-Bharati, Santiniketan,
West Bengal-731235

Study sponsored by the Ministry of Agriculture and Farmers Welfare
Government of India, New Delhi

2026

Citation:

Hasan, M.; Adak, S.; Chakraborty, S.; Mukherjee, R. and Roy, S. (2026). Decentralized Procurement Scheme for Procurement of Paddy under Minimum Support Price (MSP) in West Bengal; Study No.- 195, Agro-Economic Research Centre (For the States of West Bengal, Sikkim and Andaman & Nicobar Islands), Visva-Bharati, Santiniketan, West Bengal, pp. xii+94

ISBN: 978-81-989525-9-2**Project Team:****Team Leaders:**

Mr. Mehedi Hasan

Field Survey, Tabulation and Data Analysis:

Mr. Mehedi Hasan

Mr. Rishav Mukherjee

Mr. Sridev Adak

Mr. Saptarsi Chakraborty

Logistics and Secretarial Services:

Mr. Nityananda Maji

Mr. Munshi Abdul Khaleque

Mr. Dibyendu Mondal

Mr. Debsankar Das

Mr. Bimal Kumar Singha

Mr. Sunil Hansda

Drafting and Report Writing:

Mr. Mehedi Hasan

Mr. Sridev Adak

Mr. Saptarsi Chakraborty

Central Project Coordinator: *Prof. Brajesh Jha*, Agriculture Economics Research Unit, Institute of Economic Growth, University of Delhi (North Campus), Delhi-110007, India

Published By: Director (Hony.), Agro-Economic Research Centre, Visva-Bharati, Santiniketan, West Bengal, E-mail: dir.aerc@visva-bharati.ac.in

Copyright: AERC Report No. 195© Agro-Economic Research Centre, Visva-Bharati, Santiniketan, West Bengal.

Disclaimer: This is a reviewed publication; however, the opinions and recommendations in the report are exclusively of the author(s), and this report has been prepared in good faith on the basis of information available and feedback given by the stakeholders as of the date of the survey

EXECUTIVE SUMMARY

1. Introduction

The government of India implemented a decentralized procurement scheme for foodgrains in 1997-98. This had a significant benefit by improving procurement and Public Distribution System (PDS) activities, fully encouraging local procurement, and extending the benefits of MSP to local farmers, thereby saving on transit costs. This also enabled the procurement of food grains better suited to local tastes. Under this scheme, the State Government currently purchases paddy/rice and wheat directly on behalf of the Government of India. Purchase centres are opened by the State Government and its agencies (PACS, NGOs, FPC/FPOs) as required. It also stores and distributes these foodgrains through the National Food Security Act (NFSA) and other welfare schemes. The surplus foodgrains procured by DCP states in excess of their requirements are sent to the FCI for central pool stocks, and any deficiency of foodgrains by other states is met with these excess grains by the FCI. The central government agrees to cover the total cost of procurement activities incurred by state governments, as per the approved costing. The Central Government also examines the quality of foodgrains purchased through the scheme and reviews the mechanisms established to ensure that the procurement operations run smoothly.

The present study tries to assess the benefits of decentralized procurement to farmers and society at large. It attempts to identify constraints (region-wise), Purba Bardhaman and Coochbehar districts, with the following specific objectives:

- i. To ascertain the procurement of cereals in previous years.
- ii. To study item-wise costs of procurement, handling, storage, and disposal in the selected states (5-6) and regions for the last three years.
- iii. To study the impact of procurement on the local economy in terms of agricultural production, productivity, employment, and prices of cereals and food grains of the commodity.
- iv. To ascertain the impact of decentralized procurement on procurement-related infrastructure.
- v. To study region-wise constraints in decentralized procurement of cereals.

2. Main Findings

- i. West Bengal, a central rice-producing state, occupies the prime position by contributing about 14 percent of all India's production and procurement share at about 3 percent of the total paddy procurement of our country.

- ii. The procurement of rice across the state was analyzed, and it was found that state agencies were involved in procuring rice across the state at varying levels. But in West Bengal, only the State Government (wb.food.gov.in) is responsible for the entire paddy procurement process.
- iii. The amount of paddy procured in West Bengal in 2021–2022 (35.31 lakh metric tonnes) was more than three times what it was in 2013–14 (10.62 lakh metric tonnes). The state government purchased 94% to 97% of the total paddy, and FCI procured the rest. Following the introduction of the DCP scheme, paddy procurement has increased year after year. (Table 2.2).
- iv. In accordance with the explanation above, West Bengal's procurement contribution was approximately 6.91% in 2013-14, which increased to 17% in 2020–21. West Bengal is one of the states where the lowest proportion of production is procured.
- v. Most of the farmers are small by their land holding, followed by marginal, indicating a lesser holding of agricultural land in our sample. Marginal farmers are higher in Coochbehar than in Purba Bardhaman, and the percentage of small farmers is higher in Purba Bardhaman.
- vi. The maximum sample households of our study are small and marginal, indicating that farmers can sell their total produce at MSP and do not have to depend more on local markets. It is essential to note that medium and large farmers are the most severely affected by the sale of their paddy at the MSP, as their substantial production is not procured under the quota system in our sample area.
- vii. It is seen that most of the borrowing is done under the facility of the Kisan Credit Card, followed by loans borrowed by commercial or cooperative banks. Kisan Credit card loans are more than twice as high in Coochbehar as in Purba Bardhaman. The loan amount is increasing across landholding classes in both districts.
- viii. It is seen that in Coochbehar, marginal farmers are the most leased-in cultivators by number, whereas this story is true for small holders in Purba Bardhaman. It reveals that marginal and smallholders are operating with more leased-in lands, for which their cropping intensity is higher than that of other landholding classes in both districts. It is interesting to note in Table 3.11 that in Purba Bardhaman, most of the leased-out land came from marginal holders, with a higher average than that of smallholders. No semi-medium and medium holders leased out their land in Purba Bardhaman. In Coochbehar, most smallholders have leased out their land, with an average of 0.79 hectares per

holding, but this average is increasing across all landholding classes, which is a notable trend.

- ix. This study found that only Aman Paddy is the leading targeted crop for procurement in West Bengal. Overall, the total gross cropped area and the total net cropped area are higher in Purba Bardhaman than in Coochbehar for Aman Paddy. Thus, it is found that the land distribution for targeted crops, such as Aman Paddy, in the district of Purba Bardhaman is more than in the district of Coochbehar.
- x. Across the two sample districts, it is found that the overall cost per quintal of paddy is higher in the district of Coochbehar than in Purba Bardhaman. It is also found that the average yield per hectare is much higher in Purba Bardhaman than in Coochbehar across all land sizes for all farmer classes.
- xi. The study cannot draw any inferences about the fundamental debate between land size and productivity. It is found that productivity is higher among medium farmers in the district of Coochbehar, but in the district of Purba Bardhaman, it is highest among marginal farmers.
- xii. The most concerning aspect is that, as the size of land holdings increases, the sale quantity in CPC decreases drastically in both districts of Coochbehar and Purba Bardhaman. Among the two districts, the situation is more pathetic in Coochbehar. The main reason for this is the system of rationing the sellable quantity among farmers, regardless of the size of the farming class. The CPC has established a quantity limit (Quota) for all farming classes to sell within the CPC. Hence, in the present CPC procurement system, a marginal farmer with low production can sell almost the same quantity of output as a medium or large farmer. In these circumstances, large farmers with high production values are unable to sell their entire output in CPC.
- xiii. The average selling price per quintal of Aman Paddy was found at Rs. 1888 /- in CPC in both districts. Here, the study found that the central procurement price is set nationally at Rs. 1868 per quintal, and the West Bengal state government provides an additional Rs. 20 per quintal as an incentive (called “Utsaha Bhata” in Bengali) to promote farmers' sales to CPC. The price is unique in all CPC operations in the state.
- xiv. The average price margin per quintal is higher for per quintal of Aman Paddy in the district of Coochbehar than in Purba Bardhaman, which indicates the price benefits to the farmers from selling in CPC than in the Local Markets, and which is in favour of Purba Bardhaman in terms of price margin.

- xv. The study also found that the overall local market price of Aman Paddy per quintal is lower in the Coochbehar district than in Purba Burdhaman. Across the size of farming classes, it is observed that the local market price for medium farmers is highest in both districts; hence, the price margin is lowest for these farmers.
- xvi. In the CPC, the study found no market tax/levy or cost for weight but found some other type of costs, cost of bags (the farmers have to sell along with their bag; hence, farmers need to buy the bag for selling their crop in CPC) and cost of percentage loss per quintal in terms of quality of paddy, i.e., cost of weight loss for moisture and quality of paddy.
- xvii. The study found that the overall selling cost of Aman Paddy in CPC is higher in Coochbehar than in Purba Bardhaman. Among the total selling costs, the cost of weight loss is the highest in both districts. It is also found that farmers in the Coochbehar district have to bear the cost of bags for carrying their output, whereas in Purba Bardhaman, such costs are not observed. Among the farmer sizes, the study found that selling costs were relatively lower for Medium-Class farmers in both districts, and highest for Semi-Medium farmers in the district of Coochbehar. In contrast, marginal farmers in Purba Bardhaman district face the highest cost of selling their crops at the CPC.
- xviii. From the study, it is evident that the average selling cost per quintal in the Local Market is much lower than the CPC. Comparing the two districts, the average selling cost in the Local Market of Coochbehar district is higher than that in Purba Bardhaman district. Among these costs, most are incurred for transportation, followed by taxes and market commissions in the Coochbehar district. It was observed that the commission or tax rates in the market are highest for marginal farmers and decrease as landholding size increases. The cost is observed to be zero for the highest class of farmers, i.e., Semi-Medium, in the district of Coochbehar. On the other hand, in the district of Purba Bardhaman, no market taxes or commissions are observed in the study area, and all marketing costs in the local market are incurred for transportation to the market.
- xix. It is found that the overall average selling cost per quintal of Aman Paddy in CPC is almost four times higher than the Local Market in the sample districts of the state of West Bengal. The costs, such as bag costs and quality-related weight loss due to moisture, are found only in CPC, whereas taxes or commissions in the market are found only in the Local Market. The cost of moisture-induced weight loss and the quality of paddy, as well as the cost of bags in the Coochbehar district, are the primary contributors to the increased marketing cost in the CPC compared to the Local Market.

This cost reduces the realization of the price benefit from the CPC for farmers and is the main obstacle to getting the optimum benefit from the CPC.

- xx. Comparing the two districts, CPC's operations are more efficient in Purba Bardhaman than in Coochbehar in West Bengal. The study also found that the profitability from Aman Paddy is higher in Purba Bardhaman than in Coochbehar. With these findings, the study concludes that CPC efficiency can enhance the benefits of cultivation and play a significant role in the economic development of the rural agrarian sector.

3. Constraints

Various suggestions provided by farmers to address the problems they face are listed in this section. Details of the category-wise issues of the farmers in marketing their produce and the recommendations to address these problems are presented below:

- i. The medium farmers are more aware of the MSP, followed by semi-medium, medium and small, respectively.
- ii. About 34 percent (within a weak margin) of the semi-medium farmers faced the problem of delayed payment and exploitation by market intermediaries, and about 94 percent of them faced the problem of delayed procurement of paddy.
- iii. About 87 percent and 85 percent of the small and marginal farmers, respectively, faced the problem of delayed procurement while marketing paddy in the markets of West Bengal.
- iv. Many of the marginal farmers, about 83.58 percent were not aware of the MSP, and only 31.34 percent of marginal farmers were aware of the quality parameters prescribed for the procurement of paddy.
- v. About 83.89 percent of farmers are hopeful that they will give paddy to centralised procurement centres (CPCs) in the upcoming years.
- vi. It was observed that 51.11 percent of farmers believe that the procurement of paddy affects the cropping pattern in the local region.
- vii. Farmers face different types of problems when selling their paddy to CPC. These include:

- a. The deduction percentage of paddy is more with respect to quality, which is called 'Khad' in the local Bengali language
 - b. The serial number is not given at the procurement centre due to a long waiting list
 - c. interference of middlemen and local political leaders
 - d. delay in the procurement process
 - e. facing different problems during card renewal
 - f. the government takes less quantity of paddy according to field size, etc.
- viii. The need for provisioning assistance of good-quality seedlings in sufficient quantity (77.78%) is the first and foremost major requirement for most of the paddy producers, irrespective of the size of their land holdings in the study area.
- ix. Existence of intermediaries' problems (68.89%) and not getting remunerative price for produce in the local market (74.44%) were the problems accounted for by marginal and small, semi-medium, and medium farmers.
- x. Most marginal (76.12%) and small farmers (80.56%) have trouble with not getting good quality seedlings in sufficient quantity.
- xi. Small farmers are having issues with securing a fair price for their goods in the local market (76.39%), and intermediaries and middlemen (68.06%) take advantage of the situation.
- xii. The Krishi Vigyan Kendra (KVK) and Kisan Call Centre have little effect on the dissemination of farming-related information, advice and new farming techniques. About 25.56 percent of marginal farmers and 25 percent of small farmers are gaining awareness and knowledge, and different kinds of help from Krishi Prayukti Sahayak (KPS) or Assistant Director of Agriculture (ADA).

4. Policy Recommendations

Based on the findings of this study and concluding observations, the following recommendations and policy suggestions are proposed:

- i. **Improving irrigation facilities:** As mentioned earlier, the Purba Bardhaman district has better irrigation facilities, resulting in higher yields and a higher percentage of land under Boro paddy compared to the Coochbehar district. The government can invest in improving irrigation facilities in areas with lower cropping intensity to boost yields and productivity.
- ii. **Addressing issues faced by small and marginal farmers:** Small and marginal farmers face several challenges, including delayed payments, delayed procurement, unfair prices for their

- produce in the local market, and exploitation by intermediaries. The government can address these issues by ensuring timely payments and procurement, promoting farmer-producer organizations, and providing farmers with access to better markets and pricing information.
- iii. **Awareness about MSP:** Understanding of MSP is higher among medium farmers than among small and marginal farmers. The government can take steps to increase awareness about MSP among the farmers by requesting the farmers to frequently visit the Krishi Vigyan Kendra (KVK), the Assistant Director of Agriculture (ADA) office and meeting with the Krishi Prayukti Sahayak (KPS), the Assistant Technology Manager (ATM) and the Block Technology Manager (BTM). The government should also organize awareness campaigns and training programs to promote awareness and education.
 - iv. **Improving the dissemination of farming-related information:** The Krishi Vigyan Kendra (KVK) and Kisan Call Centre have limited impact in disseminating farming information and new farming techniques. The government can invest in improving the effectiveness of these institutions or exploring alternative means of disseminating farming-related information, such as through mobile applications and social media. All these also help reduce production costs by incorporating advanced farming techniques and technologies while increasing production, productivity, and net farm income on a sustained basis.
 - v. **Addressing a transparent system:** The government aims to achieve significant milestones in reforming the DCP system by incorporating advanced technology and software, making it more transparent and leak-proof. Through efficient data mining and the confluence of technologies and software, it is possible to make a people-centric, engaging, and responsive administration. Whatever the policy, the government must build consensus and lay the groundwork for its successful implementation.
 - vi. **Encouraging crop diversification:** The study finds that cash crops, such as tobacco, are included in Coochbehar cropping patterns, which contribute to higher cropping intensity. The government can encourage crop diversification by promoting other cash crops suitable to the region and by providing farmers with access to markets and pricing information.
 - vii. **Addressing weight loss costs:** The study finds that the cost of weight loss is the highest in the selling cost of Aman Paddy in CPC. The government can address this issue by investing in improved storage and transportation facilities, reducing the cost of weight loss, and ensuring that farmers receive fair prices for their produce.
 - viii. **Addressing every farmer to sell their paddy to the procurement centre:** Every farmer will get a chance to sell their paddy to the procurement centre by increasing the quantity of paddy procured by the government. Usually, not every farmer in the village has the chance to sell paddy to the procurement centre because the rice mill procures only a limited amount, as per government order. Therefore, there is a need to modify

government orders and increase procurement capacity at both the procurement centre and the rice mill.

- ix. **Increasing price gap:** The price gap between the local price and the support price of paddy has increased. Every year, the support price increases by approximately 5% with respect to the cost of cultivation, as determined by the Commission for Agricultural Costs and Prices (CACP), a government agency in India, while local prices have remained relatively constant over the past two to three years. Farmers will benefit and earn more money by selling their paddy to the procurement centre at the support price.
- x. **Opening temporary procurement centres:** The government agencies should establish temporary procurement centres in rural areas, enabling farmers to sell their paddy directly in their villages. Typically, each block has a centralised procurement centre, which means that many farmers are unable to sell their paddy at a remunerative price. As a result, many farmers were unable to take advantage of the decentralized procurement scheme. Several temporary procurement centres will be required in each block.
- xi. **Improving Storage facilities:** Storage facilities are required to increase procurement quantities. It is worth noting that the procurement quantity of paddy was 10.62 lakh metric tonnes in the 2013-14 fiscal year. At present (2021-22), it has increased to around 35.31 lakh metric tonnes, with several steps taken by the state government over the past six years that will further increase the number of storehouses. The West Bengal State Warehousing Corporation creates storage capacities. Therefore, if storage capacities continue to grow, farmers will be able to sell their entire paddy production in bulk quantities, as well as procure paddy from farmers immediately after harvest through the Centralized Procurement Centre.