

Impact of minimum support price policy on crop diversification in Andhra Pradesh

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ABSTRACT

The present study investigates the impact of the Minimum Support Price (MSP) policy on crop diversification in Andhra Pradesh using secondary panel data from 13 districts spanning the 15 years i.e., 2010 to 2024. The extent of crop diversification was measured using the Simpson Diversity Index (SDI), which showed a decline from 0.623 in 2010 to 0.589 in 2024, indicating a gradual shift towards monoculture. District-wise analysis revealed that coastal districts such as Krishna, East Godavari, and Guntur recorded lower SDI values due to their reliance on MSP-backed staple crops like paddy and groundnut, whereas, Rayalaseema districts like Anantapur and Kurnool showed relatively higher crop diversity. A fixed-effects panel regression model was applied, and the Hausman test ($p < 0.05$) confirmed its suitability over the random-effects model. The regression results indicated a statistically significant negative relationship between MSP levels and crop diversification, with the MSP coefficient for paddy at -0.0031, significant at the 5% level, and for groundnut at -0.0028, also significant at 5%. These findings suggest that while MSP provides economic security to farmers, it may inadvertently discourage crop diversification, highlighting the need for policy frameworks that balance price incentives with diversification-supportive measures for sustainable agriculture in Andhra Pradesh.

Key words: *Andhra Pradesh, Crop diversification, Fixed effect Regression model, Minimum support price, Simpson Diversity Index.*