International Research Journal of Education and Technology
Peer Reviewed Journal
ISSN 2581-7795

AN OVERVIEW OF AGRICULTURAL PRICE POLICY IN INDIA

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ABSTRACT

Agricultural price policy in India was introduced since independence. But the agricultural price policy formulated in India has diverse widely for different years and also for different crops. This policy set much accentuation on the prices of food grains like wheat, rice, and coarse cereals such as jowar, bajra, maize, etc. Price policy plays a pioneering role in the economic development of a country. It is an important instrument for providing incentives to farmers to fascinating them to go in for production-oriented investment and technology. Undoubtedly, violent fluctuations in agricultural prices have destructive results. For instance, a steep decline in the price of a particular crop in a few years can inflict heavy losses on the growers of that crop. This will not only reduce the income but also dampen the spirit to cultivate the same crop in the coming year. If this happens to be a staple food item of the people, supply will remain below the demand.

KEY WORDS: India, Agricultural Price Policy, Food Grains, Farmers, Incentive Price.

INTRODUCTION

Agricultural price policy has been a contentious subject in India. During the early sixties, scholars accepted the importance of the indirect effects of food prices on rural incomes via supply response. The persistence of mass poverty even after the successes of the Green Revolution, extensive malnutrition despite the accumulation of large food stocks, and the shrinking effective demand for food, suggested the direct short-run effects of supply response. The agricultural Price Policy in India has been developed by the government for agriculture products to ensure that farmers receive fair prices to encourage or motivate them to spend more on agriculture

REVIEW OF LITERATURE

Agricultural price policy usually plays a significant role in most developing countries in its sound effects on farm and food prices. It is not usually difficult to describe either its objectives or the measures to attain them. When it comes to measuring their impact on performance of an agricultural or food economy, however, that is an altogether different matter The poor correlation often found to exist between changes in real farm prices and in output, for example, suggests the require for more comprehensive econometric country studies, which take account not only of changes in product prices but also those of inputs, their ease of use, and changes in capital structure, marketing, etc. Farmers' decisions about production are also influenced by incentives on the consumption side: the availability and cost of consumer goods and services like health and education, and the direct taxes which must be paid. Money is only an intermediate objective. It could be that a farmer's unwillingness to increase production comes from a low valuation of the things he can buy, which may stem from the very limited selection available to buy. The consumption side of incentives is still largely neglected in many poor countries.

The significant element in the agricultural strategy followed in the post-Green Revolution period is the application of modern technology. Since modern technology is capital intensive, farming has become market oriented and is sensitive to the cost of inputs and price of outputs. The role of price policy for adoption of modern technology becomes crucial. Thus, both technological change and prices are seen as important instruments for accelerating growth in the agricultural sector. Once an appropriate technology becomes available, then price policy assumes significance in stimulating production through the allocation of desired level of resources. The policy makers face the challenge of formulating a suitable agricultural policy by which food security may be achieved. To formulate an effective price policy for food-security, it is important to understand the degree of responsiveness of input demand and crop output supply to input-output prices and technological changes. A better understanding of demand elasticity's helps to predict future demand of food and non-food commodities under different scenarios of demand shifters, and thereby could help policy planners to take appropriate policy decisions.

OBJECTIVES

1. To know the agricultural prices in India
2. To study the minimum support prices of different crops in India
3. To analysis the wholesale prices of major agricultural commodities in India 2014-15 and 2017-18 years.

HYPOTHESES

1. To know the agricultural prices India is not significant
2. To study the minimum support prices of different crops in India is not significant
3. To analysis the wholesale prices of major agricultural commodities in India 2014-15 and 2017-18 years is not significant.

METHODOLOGY

This paper reviews the main research methods and their application of forecasting of agricultural product prices, summarizes the application examples of common forecasting methods, and prospects the future research directions. This paper totally depends on secondary data.

AGRICULTURAL PRICE POLICY IN INDIA

MSP policy has not played its intended role in the overall price policy. The question arises if relying on MSP for remunerative prices would be the right price policy for all the farmers. If MSP is the intended remunerative price, then what should be done to make it an effective price to have the required effect on supply response and to ensure that most of the farmers get the benefit of this price policy? If this is not, then what are the alternative mechanisms to ensure that farmers get the remunerative price? In recent times, new initiatives either in terms of new MSP or new marketing models have been introduced. Some of these initiatives include the Government of India accepting the Swaminathan Committee's recommendations and farmers' demand for new MSP, which now stands at 1.5 times the cost of production. The government has also announced the development of mechanisms to ensure that farmers receive at least MSPs of their produce (Mittal et al. 2018). There are apprehensions that this would have strong budgetary implications due to increased food subsidy bills. Some fear that this would also have inflationary pressure on food commodities. There is a counterargument that the new MSP would raise farmers' incomes, increase demand for non-farm commodities to boost economic growth, and improve marketing efficiencies. To make the proposed policy effective, the government proposed to develop and upgrade 22,000 agricultural markets, known as Grameen Markets, to link these with the Agricultural Produce and Market Committee (APMC) Mandis and National Agriculture Market (e-NAM). This platform aims to remove price manipulation and traders' cartel and provide a lower price spread between the producers and the consumers. It is expected that this would help producers with better price realization. Upgrading the existing local market with the necessary infrastructure is important, as it would ensure that the benefits of the new price policy pierce to the last mile. The MSP is restricted to only selected crops and regions, and not all farmers are able to benefit from it. To address this issue, price stabilization funds and price support schemes have been introduced. Under the price support scheme, the state can procure about 25% of the output of pulses, oilseeds, and cotton if their prices go below the MSP.

Losses arising from this intervention are shared between the concerned states and the Centre. The price stabilization fund needs to be used by the Ministry of Consumer Affairs, Food, and Public Distribution, Government of India, to procure pulses and stabilize their prices in the market. It is often argued that it is neither feasible nor desirable that the government should procure all the commodities produced and sold in the country when their prices fall below the floor price, thus, a new mechanism must be devised to protect producers against the risk of prices falling lower than the MSP. The MSP can be implemented through the system of deficiency price payment (Chand 2018). The deficiency payment would, in theory, allow the government to support producers with lower prices, benefit consumers, and reduce distortion of domestic markets.

However, a major hindrance to this approach is devising a mechanism for administering deficiency payments that reaches all producers and is not susceptible to fraud. One possibility would be to build on the relatively recent initiative to create a system of verifiable and negotiable warehouse receipts that is being promoted. Private participation in stocker's scheme is also proposed. This scheme relates to the procurement at MSP by the private entrepreneurs. A clear as crystal mechanism needs to be developed, so that private sector entities could empanel themselves for procurement if prices fall below MSP. The mechanism could also be developed to compensate the private sector.

TABLE -1

MINIMUM SUPPORT PRICES OF DIFFERENT CROPS IN INDIA

(In Rs. /Quintal)

Commodities	2016-2017	2021-2022
Paddy	1470	1940
Jowar	1625	2738
Bajra	1330	2250
Maize	1365	1870
Ragi	1725	3377
Tur (Arhar)	50506	6300
Moong	52256	7275
Urad	50006	6300
Groundnut-in-Shell	42207	5550
Sunflower Seed	39507	6015
Sesamum Seed	50005	7307
Nigerseed	38257	6930

Mustard Seed	37001	5050
Cotton	3860	5726
Wheat	1625	2015
Barley	1325	1635
Gram	40005	5230
Masur (Lentil)	39502	5500
Rapeseed/Mustard	37007	5050
Safflower	37007	5441
Toria	3560	5050
Copra (Calender Year)	6240	10600
De-husked Coconut (Calender Year)	1600	2800
Jute (TD5)	3200	4500
Sugarcane[4]	230	290

Source: 1.Ministry of agriculture and farmer's welfare, govt of India, (on 2946) & past issues.

2. Lok Sabha Unstarred Question No. 1506, dated on 20.09.2020,

3. Rajya Sabha Unstarred Question No. 1450, dated on 23.09.2020 & Press Information Bureau, dated on 08.09.2021.

Table -1 show the Minimum support prices of different crops in India, the comparison of between two years namely 2016-17 and 2021-22. The price difference between two years copra was reached the first place, its prices differences was rs.4385. Cotton reached second place, its price differences was rs. 1866. With the rs.1652 price differences ragi crop reached the third largest price of minimum support price in India. Minimum support prices of different crops in India shown in figure-1.

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FIGURE-1

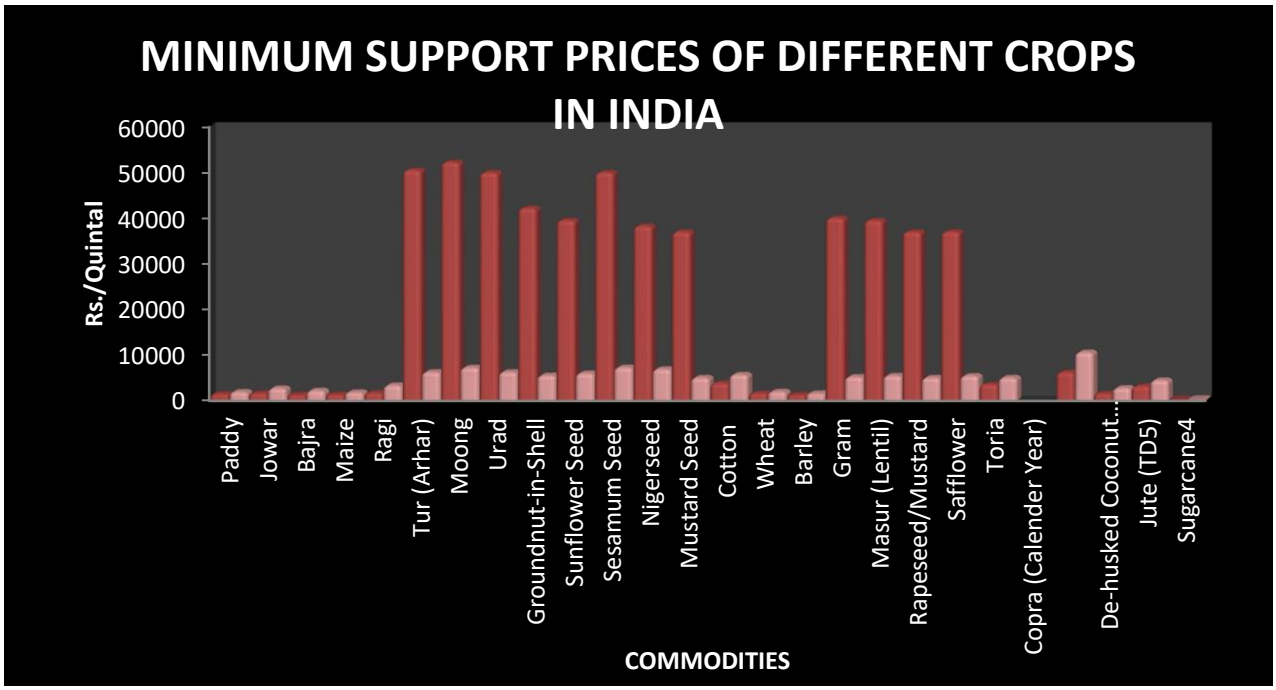

TABLE-2

WHOLESALE PRICES OF MAJOR AGRICULTURAL COMMODITIES IN INDIA (2014-2015 AND 2017-2018)

(RS. IN PER QUINTAL)

Commodities	2014-2015	2017-2018
Paddy (Common)	1607	1695
Bajra	1430	1557
Barley	1416	1558
Gram	3398	5577
Jowar (Hybrid)	2035	2149
Maize	1314	1521
Ragi	1970	2875
Wheat	1678	1924
Arhar Whole	4657	4371
Masur Whole	5394	4456

Moong Whole	6882	5286
Urad Whole	5331	5787
Groundnut	4048	4564
Copra	10592	10918
Kardiseed	2470	3143
Mustard Seed	3693	3994
Nigerseed	3678	5664
Sesamum Seed	9665	7378
Soyabean	3375	3100
Sunflower Seed	3281	2934
Cotton (Medium Staple)	4155	4719
Jute Raw	2873	3449

Source : Lok Sabha Unstarred Question No. 4088, dated on 20.03.2018.

The table -2 explain the Wholesale Prices of Major Agricultural Commodities in India from 2014-2015 to 2017-2018, Rs. in per Quintal. From 2014-15 to 2017-18, the gram price increased by Rs 2179 in India, this is the highest increase rate. Niger seed reached second place, it was increased rs.1986, per quintal. Kadri seed occupying third place, its price was rs 673.Some crops was not noticeable changes of the Wholesale Prices of Major Agricultural Commodities in India from 2014-2015 to 2017-2018 years. Some crops prices were not increase in 2017-2018 years**.** The Wholesale Prices of Major Agricultural Commodities in India from 2014-2015 to 2017-2018 shown in figure-2.

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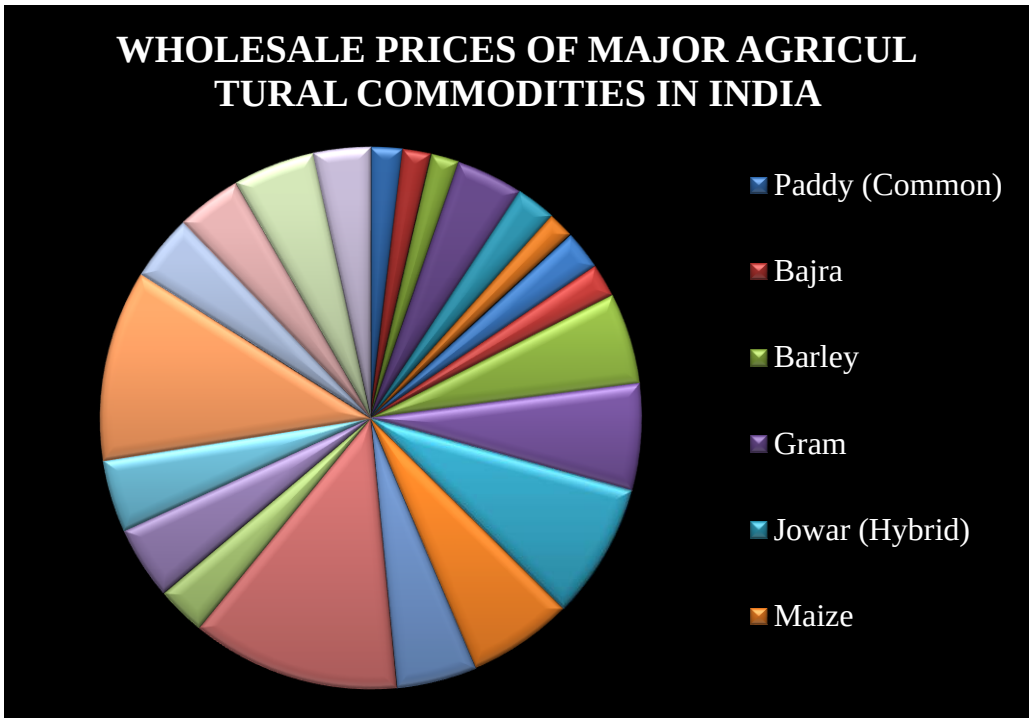
FIGURE-2



FINDINGS

1.The price difference between two years (2016-17 and 2021-22) copra was reached the first place, its prices differences was rs.4385. Cotton reached second place, its price differences was rs. 1866. With the rs.1652 price differences ragi crop reached the third largest price of minimum support price in India.

2.Wholesale Prices of Major Agricultural Commodities in India from 2014-2015 to 2017-2018 years, the gram price increased by Rs 2179 in India; this is the highest increase rate. Niger seed reached second place, it was increased rs.1986, per quintal. Kadri seed occupying third place, its price was rs 673.

RESULTS

1. 'To know the agricultural prices India is not significant' is accepted
2. The second hypotheses namely 'to study the minimum support prices of different crops in India is not significant' is accepted
3. Thehypothesesnamelytoanalysisthewholesale prices of major agricultural commodities in India 2014-15 and 2017-18 years is not significant is accepted

CONCLUSION

Agricultural price policy has been a contentious subject in India. During the early sixties, scholars accepted the importance of the indirect effects of food prices on rural incomes via supply response. The persistence of mass poverty even after the successes of the Green Revolution, extensive undernourishment despite accumulation of large food stocks, and the shrinking effective demand for food, suggested that the direct short run effects of supply response. Agricultural Price Policy in India has been developed by the government for agricultural products to ensure that farmers receive fair prices to encourage or motivate them to spend more on agriculture.

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