Chapter VIII

FINDINGS AND POLICY MEASURES

In the present study the behaviour of prices and arrivals of selected agricultural commodities in different regulated markets in Nanded district has been examined from the following angles:

1. General price trend of selected agricultural commodities.

2. Seasonal variations in the prices of selected agricultural commodities.

3. Pattern of market arrivals and relation between arrivals and prices of commodities selected.

4. Effects of change in price on area under different crops.
The selected agricultural commodities viz; wheat, jowar, paddy, gram, tur, groundnut, chillies and gur are the most important agricultural commodities of the Nanded district. The main findings of the present study are summarised below.

The prices of all selected agricultural commodities have shown a rising trend in all the markets over the period under consideration. But the rate of increase in prices differed from commodity to commodity and from market to market. This clearly indicates that there is the absence of inter-crop price parity and regional price parity.

Among the selected crops price of jowar, a main subsistence crop, has increased by the lowest rate whereas the price of chillies, a cash crop, has increased by the highest rate over the study period. The rates of increase in prices for all other selected commodities lie in between the rates for these two commodities. It is found that the price trend of pulses (i.e. taking gram and tur together) is higher than the price trend for cereals (i.e. taking wheat, jowar and
paddy together). The price trend of cash crops (i.e. taking groundnut and chillies together) is found to be higher than that for pulses as well as cereals.

Though the prices of all selected commodities have shown an increasing trend over the period under study, this increasing trend was not continuous and constant during this period. When the study period is divided into two sub-periods (viz; first sub-period from 1968 to 1977 and second sub-period from 1980 to 1987), it is found that the price of jowar and paddy had declined in the first sub-period but had increased in the second sub-period. In case of wheat, jowar, gram, tur, groundnut and gur their prices have shown an increasing trend in both the sub-periods. However, the rate of increase in prices in the second sub-period was much higher than what it was in the first sub-period. It is also found that in the second sub-period variations in prices of selected commodities, except paddy and chillies, were lower but price trend was much higher as compared to the first sub-period.
From year to year variations in prices it is clear that the degree of annual price variations differed from market to market and from commodity to commodity, during the study period. Comparatively, Nanded, Loha and Dharmabad market are more stable as the coefficients of price variation are lower than that for Bhoker, Mukhed Kondalwadi and Umri markets. Among the selected commodities, price variation is found to be minimum in the case of rowar and maximum for groundnut. In case of different groups of selected commodities, price variation is found to be lower for cereals than that for pulses and cash crops. Further, variations in prices of a group of cash crops are higher than that in cereals but lower than that in pulses. It means that in the long-run prices of pulses are more unstable.

Nanded marketing centre is a big and secondary wholesale market where prices of all commodities are found to be higher than their average prices at the district level. In Bhoker, Dharmabad and Loha markets also prices have been higher than their average prices at the district level (with the exception of few
commodities. Because, in these markets, the degree of competition is greater due to larger numbers of traders. In Mudkhed, Kontalwadi and Umri markets, prices are found to be lower than the average prices at the district level because of poor competition among the traders.

Agricultural prices fluctuate not only from year to year in the long period but from month to month within a year also. Such variations in prices are known as seasonal price variations. In this study it is found that there is seasonality in prices of all selected agricultural commodities and variations have occurred from month to month within a year. But the degree of seasonal price variations is found to have varied from market to market and from commodity to commodity. At the district level, it is found that seasonal price variations were the lowest (25.34 per cent) for paddy. On the contrary, seasonal variations were the highest for groundnut (78.02 per cent) followed by gram and tur.
There is significant positive correlation between wholesale and retail prices for all commodities in Nanded market. It means retail prices are most sensitive to changes in wholesale prices. Any change which takes place in wholesale prices will bring about a positive change in retail prices.

The co-efficients of variation have indicated that there is a higher degree of variations in wholesale prices than that in retail prices. It reveals that farmers are seriously affected by higher variations in wholesale prices that the farmers receive in producers' agricultural market. It means that the nature of agricultural market in the district is unfavourable to farmers and favourable to traders.

It is found that the level of retail prices is higher than the level of wholesale prices in case of all selected agricultural commodities. The level of retail prices of jowar is higher than that of wholesale prices by 6.45 per cent which is the minimum difference, and in case of gur the level of retail prices is found to be
higher by 25.33 per cent which is the maximum difference as compared to other selected commodities.

After studying the spatial price variations it is found that these variations were higher for wheat, jowar, paddy and tur in 1974, for gram prices in the year 1971, for groundnut prices in the year 1977, for chillies prices in 1983 and for gur prices in 1979. The co-efficient of variation in prices has indicated these results as it was the highest for the said commodities during the mentioned years. Among the selected commodities, the spatial price variations are found to have differed from commodity to commodity at different points in time.

It is found that year-to-year variations in arrivals are higher than the variations in prices. This kind of picture is observed in case of all selected agricultural commodities and in all markets over the period under consideration. It is seen that the variations in arrivals of jowar are four times higher than the variations in its prices and the variations in arrivals of gur are one-half times higher than the
variations in its prices. The group-wise analysis revealed that variations in arrivals are much higher for cereals (i.e. wheat, jowar and paddy) than that for pulse crops and cash crops. There is a positive relation between variations in arrivals and prices of commodities selected. It means that variation in arrivals is higher when the variation in prices is also higher and vice-versa. The degree of variation in arrivals of commodities differed from market to market in the Nanded district.

Intra-seasonal and inter-seasonal variations in arrivals and prices of agricultural commodities is a specific feature of Indian agricultural market. Variations in arrivals within a year (i.e. month to month variations) are found to be higher than the corresponding variations in prices. This picture is found for all selected commodities and markets in the Nanded district. Comparatively, among the selected commodities seasonal variations in both arrivals and prices of cereal crops are higher than the variations in arrivals and prices of pulse and cash crops also.
However, the degree of variation in arrivals and prices differed from market to market in the Nanded district.

A negative relationship between arrivals and prices is found for all the selected agricultural commodities and that too in all the markets in the Nanded district. It reveals that an increase in arrival of a commodity in the harvest period leads to a fall in its price and then price increases in the slack period when arrival of commodity in the market is minimum.

Market arrival is found to have unevenly distributed within a year in the different markets of Nanded district. On an average, the percentage of market arrivals sold during four months of harvest season is found to be in the range of 40 per cent to 80 per cent for the different selected commodities. Only 10 to 20 per cent of total market arrivals take place in the lean period. Among the markets the average percentage of market arrivals sold in the peak period is higher and in the lean period it is lower, in all the primary markets than that in Nanded market, which is a big and secondary wholesale market.
The average of the percentages of market arrivals sold in peak period is lesser (53.86 per cent) for the cereals (i.e. for wheat, jowar and paddy) than the average of percentages of market arrivals sold in the same period for the group of (i.e. gram and tur) pulses (78.05 per cent) and the group of cash crops i.e. groundnut, chillies and gur (61.41 per cent). On the other hand, average percentage of market arrivals sold in lean period is higher (20.54 per cent) for cereals as compared to the group of pulses (9.89 per cent) and cash crops (17.89 per cent).

A variation in the acreage under the selected crops is found in the Nanded district over the period under study. But the degree of variation in acreage is found to be different for different crops. Comparatively, low variations are found in area of food crops, namely, jowar, tur and paddy. On the contrary, the degree of variation in acreage is found to be the highest for the other selected crops, namely, wheat, gram, groundnut and gur.
It is found that there is a negative response of area under a particular selected crop to change in its price. This result is found for all selected agricultural commodities with the exception of jowar and sugarcane crops. It means that price has no positive impact on area under the crop. An increase in price of a crop would lead to a decline in area under that crop. It means area under a foodgrain crop is not affected by the change in its price. The negative response of area to price changes is found for wheat, paddy, tur and gram crops in Nanded district. Since all these are the main food crops of the district, farmers allocate their land to food crops keeping in view the production for home consumption and not for prices. A positive relation is found between price and area for jowar and sugarcane crops, however, it is not significant. A negative response of relative area under a crop to relative price is found for all other selected crops.
Suggestions:

Agricultural prices is a basic element of rural economy as well as of the whole national economy. The arbitrary variation in prices of agricultural products affects not only to agriculture and agriculturists but affects all the sectors of the economy also. The erratic price variations provide mainly disincentive to farmers to increase their agricultural production. There are several other adverse effects of price variation. Considering the importance of agriculture and agricultural prices it is most essential to solve the problem of violent variations in prices of agricultural commodities, and problems related to agricultural marketing. It is necessary to improve the economic position of farmers and induce them to enhance agricultural production by adopting new agricultural technology. In this view, following policy measures are suggested for adoption which directly and indirectly affect the variations in prices and the structure of agricultural marketing.
Economic poverty, which generate heavy burden of loan, is a key problem of farmers and this problem is related with the variation in agricultural prices. Due to low money income most of the farmers borrow from the money lenders, which is an easy source of loan. Because of the pressure of repayment of loans taken from money lenders farmers sell their products to money lenders at low prices or in the market when prices are lower due to glut of supply in the harvest period. So it is most essential to increase the waiting power of the farmers by providing credit at rational rate of interest. It is possible through extending the services of commercial banks, co-operative banks and co-operative societies in rural areas. A large number of farmers' co-operative credit societies are working in rural areas to meet the credit needs of farmers at a cheaper rate. But the problem is that the functioning of these co-operative societies is not satisfactory and supply of credit by them is also not adequate to meet the farmers' credit requirements. So the attention needs to be paid towards improving the functioning of such co-operative societies instead of enlarging their number.
adequate finance should be provided to farmers through co-operative credit societies by effectively improving their working. Most of the benefits of these co-operative societies are appropriated by the big landlords. So it is necessary that the flow of credit from these societies should be reached to small and marginal farmers. Besides, there is need of expansion of commercial and rural bank credit facilities in rural areas. In brief, the credit facilities should be made available to farmers particularly to small and marginal farmers, so that their waiting power for higher prices would increase.

2. Another important reason of undue rush of market supply of agricultural products and the consequent fall in their price is the lack of adequate storage facilities in rural areas. Government should provide storage facilities to farmers at cheaper rate by constructing godowns in public and co-operative sectors. Recently, an attempt has been made to construct godowns in villages by co-operative societies. But it is seen that the farmers are not in a position to store their
agricultural products in these godowns, because the condition of these godowns is not good and farmers feel insecurity in storing there. So the problem is not related to construction of new godowns in rural areas but the benefits of these godowns be actually consumed by the farmers.

3. Government should enter into the process of price fixation at every stage for all commodities covering every sector of the economy. There is a need of enlarged and effective machinery to keep price parity for various products in the agricultural sector, as well as between the agricultural and manufactured products. From this point of view, the present participation of Government in price fixation seems to be very limited and ineffective. As a result, imbalance may emerge in the production of various agricultural commodities and between the various sectors of the economy.

4. There is lack of better roads in rural areas so that farmers could bring their products in regulated markets where prices are relatively higher. Government should give priority to construction of the pucca roads
connecting villages to regulated marketing centres. This would make possible the farmers to obtain higher prices for their products in the slack season.

5. Agricultural Produce Market Committee can play an important role in agricultural marketing. Some important services may be provided to the farmers through such market committees. So the responsibilities of regulated market committees should be enlarged and they may be assigned the work of providing storage and transport facilities to farmers of the surrounding area. This policy would be more beneficial for the small and marginal farmers.

6. The participation of Government as a buyer in agricultural markets is essential. But Government should enter into agricultural markets as a competitor to private traders and not for monopoly procurement. Government should operate as a trader to purchase agricultural products mainly foodgrains in open market at the support prices which are rational and related to cost of cultivation and standard of living of cultivators. In a free market economy, the prices of agricultural products may not be rational and stable.
On the other side, in case of monopoly procurement there are a number of defects in the implementation of this scheme. So to avoid the problems of free market and monopoly procurement, Government should enter into the market as a purchasing party like trader and should purchase the foodgrains at guaranteed prices. Since the existing Government machinery for procurement of agricultural products is not working properly and is not adequate, there is need of improving the existing machinery and setting up of an effective and extensive purchasing machinery in rural areas.

7. Most of the agricultural market in India is in the private sector. In this sector, there is more possibility of creation of artificial scarcity, speculation and other malpractices to obtain the maximum monetary gain. Such practices result into erratic fluctuations in agricultural prices. So Government should have control on the purchase and sale of agricultural products by private traders. This control the Government can exercise by adopting several measures such as issuing of the licenses, declaration of stocks
by traders, statutory limit on stock, maintenance of proper accounts of their purchase and sale transactions and its submission periodically, etc. Existing rules for controlling the transactions of private traders need to be strictly and effectively implemented.

8. Buffer stocks operation is a most effective instrument for controlling the short-term and long-term price variations of agricultural products and mainly of foodgrains. This policy needs to be adopted and implemented at the taluka level. Government should set up a machinery in rural areas to purchase the excess supply of foodgrains in the open market at the minimum support prices when prices tend to decline in harvest season and hold adequate stock of foodgrains to maintain the supply line throughout the year. It will help to regulate the seasonal fluctuations in foodgrain prices which occur within a year. To control year-to-year agricultural price variations Government should create buffer stocks of foodgrains in the years of bumper production and it can be carried over to meet the deficit in the year of crop failure.
9. Government should prefer the policy of 'Agriculturalization of Industry'. It means that different types of processing units need to be established in rural areas on the field of the farmers particularly on co-operative basis. It is also a way of moderating the wide fluctuations in agricultural prices and assuring the higher incomes.

10. In India, agricultural production is in the hands of millions of private producers and the Government has a very little direct control over this production. Due to the variations in area under different crops the volume of production becomes uncertain which results into fluctuations in prices of agricultural products. Therefore, the Government should fix the targets of production for different important agricultural products at the state level and decide accordingly the area that should be allocated to different crops in order to attain the fixed targets of production. If a diversion of area is needed from one crop to another the price policy should be oriented in such a way that the desired shift in area will take place.
11. In order to minimise the violent price fluctuations, agricultural market of the whole country must be enlarged and effectively integrated into a single market. Because variation in production and its price is higher in a single grain and for a small region. Taking into account the total production of all foodgrains and the whole country, the average price variation is lower. Because the harvest seasons of different grains in different parts of the country are spread over a large part of the year. So the total supply of grain for the country as a whole is distributed more evenly than the supply of a single grain in a small region. In the same way, the total production of all the foodgrains for the country as a whole will be less variable over the period of one year. Because the variations in weather and rainfall do not affect all crops and in all parts of the country identically. So the effective integration of agricultural market of the country as a whole is an important measure to achieve considerable stability in the foodgrain prices.
12. Any step taken towards the stabilisation of agricultural prices must be started from the village level where the root cause of the whole trouble exists. From this point of view, there is a principal and effective way for stabilising agricultural prices and that is the development of integrated co-operative movement in rural areas. It means different types of farmers co-operative societies should be set up in rural areas viz: co-operative farming societies, co-operative processing units, co-operative marketing societies, co-operative credit societies, co-operative agricultural labour societies, co-operative dairy societies, etc. Further, these societies should be established at different levels in the country, e.g.: at village level, taluka level, district level, state level, etc. It means the co-operative movement must be developed both horizontally and vertically. Further, there should be a high co-ordination between different types of co-operative societies established at different levels which is known as horizontal and vertical co-ordination. This type of improvement in co-operative system would be a useful and most effective measure for solving the
problems relating to storage, transportation, processing, credit supply, etc. We know that this is not a very new suggestion. But till now we could not develop co-operative movement on these lines. There are number of defects in the present co-operative movement. It is so weak that it is unable to solve the problems related to agricultural prices. Therefore, there is need of developing effectively integrated, strong, widely and healthy co-operative movement in rural areas. This co-operative movement would increase the bargaining power of cultivators in the free market economy.

13. No Government policy or any measure adopted by the Government for avoiding the price variations and improving the economic position of farmers can be successful without removing the malpractices on the part of the implementing machinery at various levels. For example, the Government adopted policies such as monopoly procurement scheme, the scheme of providing cheap credit through commercial banks or co-operative societies, buffer stock scheme, co-operative marketing,
policy of fixing minimum support prices, seem to have
failed due to larger malpractices. So there is a need
of giving attention towards the controlling and
minimising such malpractices and mainly on the
eradication of embezzlement.