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AGRICULTURE PRICE POLICY

- ❖ Agricultural Price Policy in India emerged in the context of food scarcity and price fluctuations provoked by drought of mid-sixties and war with Pakistan.
- ❖ The policy was framed keeping in view three different angles, viz.,
 - i. providing food grains for the Public Distribution System,
 - ii. ensuring reasonable (affordable to consumers) prices for food grains, and
 - iii. Inducing adoption of the new technology.

Objectives Of Price



Policy:-

- To meet the domestic consumption requirement.
- To provide price stability in the agricultural product.
- To ensure reasonable relation between the prices of food grains and non food grains.
- To ensure reasonable relationship between prices of agricultural commodities and manufactured goods.

- To smooth seasonal and cyclical fluctuations of prices of agricultural commodities.
- To remove price difference between two regions.
- To make available food to consumers in the time of shortage.
- To increase the production and exports of agricultural product.
- To provide raw material to the industries at reasonable price.

Need for Agriculture Price Policy:

- ✓ **To ensure stability in price of agriculture products.**
- ✓ **To ensure constant usage of modern inputs in agriculture, it is necessary that farmers are assured minimum price for their produce.**
- ✓ **Due to specific nature of agriculture products, there are many difficulties in agriculture marketing, such as perishability, problems of storage etc;**
- ✓ **Price policy is important for proper crop planning.**
- ✓ **To prevent exploitation of farmers from zamindars etc; in absence of price policy person may purchase products at very low price.**



Main Features:

➤ **Institutions:** The government has set up two institutions to implement the price policies.

Agriculture Price Commission (1968): This commission advises the government regarding agriculture price policy, also determines MSP and procurement prices of agriculture products.

Food Corporation Of India (1983): This corporation organizes procurement of food grains at price determined by govt. and their sale through public distribution system.

➤ **Fixation of MSP or procurement prices:** The government determines minimum support price of many agriculture product such as wheat, rice, maize, every year based on recommendation made by Agriculture Price Commission.

➤ **Maximum Price Fixation:** Government also determines maximum prices for certain agriculture product. The govt. sells many agriculture products such as grain, sugar, rice at prices through fair prices under PDS.

➤ **Buffer stock:** To prevent change in prices of agriculture products beyond a certain limit, govt. maintains buffer stock of goods. This is done by FCI.

When price of food grain starts increasing, Govt. starts selling food grains from buffer stock at specific prices. As a result, increase in price of food grain can be checked.



Factors Taken Account:

- ✓ **Cost of Product**
- ✓ **Changes in Input Prices**
- ✓ **Input / Output Price Parity**
- ✓ **Trends in Market Prices**
- ✓ **Inter-crop Price Parity**
- ✓ **Demand and Supply Situation**
- ✓ **Effect on Industrial Cost Structure**
- ✓ **Effect on General Price Level**
- ✓ **Effect on Cost of Living**
- ✓ **International Market Price Situation**
- ✓ **Parity between Prices Paid and Prices Received by farmers (Terms of trade)**



Effects Of Agriculture Price Policy:

- **Increase in production**
- **Change in cropping pattern**
- **Advantage to farmer**
- **Advantage to consumer**
- **Stability in prices**



Shortcomings of agriculture price policy:

- ❖ **Limited coverage:** prices of only agriculture commodities are fixed by government.
- ❖ **Less remunerative prices:** The policy has failed to provide remunerative prices for agro-products. Price fixed under MSP was remunerative only in rice.
- ❖ **Failed to achieve price stability:** In year 2008-2009, agriculture price index went up by 9.46% and thus affecting poor section of society. It has failed in its objectives.

❖ **Ineffective PDS:** Strong PDS is required for providing food grain to poor section.

But in India, sufficient quantity isn't being provided.

❖ **Less number of regulated markets:** More number of regulated markets is required .

But in India , it is less in number.





Suggestion for improving Agriculture Price Policy:

- **Extension of price policy**
- **Establishment of more agencies.**
- **Proper fixation of prices**
- **Improvement in PDS**
- **Improvement in productivity with suitable prices**
- **Improvement in agriculture marketing**

Commission for Agricultural Costs And Prices (CACAP)

■ **The organization :**

- The **Agricultural Prices Commission** was set up in January, 1965 to advise the Government on price policy of major agricultural commodities.
- It kept a view of evolving a balance and integrated price structure in the perspective of the overall needs of the economy and with due regard to the interests of the producer and the consumer.
- Since March 1985, the Commission has been known as **Commission for Agricultural Costs and Prices** under Sen committee.

■ **Minimum support prices (MSP)** for major agricultural products are fixed by the government, each year, after taking into account the recommendations of CACP

■ The Commission is composed of

I. Chairman, a Member Secretary,

II. two official members

III. three non-official members who are representatives of the farming community, having long field experience and active association with the farming community.

■ **Present :**

○ **Chairman**

: Dr. Ashok Gulati

Member (Official)

: **Dr. Ashok Vishandas**

Member Secretary

: **Dr. Anandi Subramanian**



Objectives / Terms of Reference

1. To advise on the price policy of paddy, rice, wheat, jowar, bajra, maize, ragi, barley, gram, tur, moong, urad, sugarcane, groundnut and such other commodities.
2. To recommend from time to time, in respect of different agricultural commodities, measures necessary to make the price policy effective.
3. To take into account the changes in terms of trade between agricultural and non agricultural sectors
4. To examine, where necessary, the prevailing methods and cost of marketing of agricultural commodities in different regions, suggest measures to reduce costs of marketing and recommend fair price margins for different stages of marketing.

Agriculture price policy

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7. To keep under review the developing price situation and to make appropriate recommendations, as and when necessary, within the framework of the overall price policy.

8. To undertake studies in respect of different crops as may be prescribed by Government from time to time.

9. To keep under review studies relating to the price policy and arrangements for collection of information regarding agricultural prices and other related data and suggest improvements in the same, and to organize research studies in the field of price policy.

10. To advise on any problems relating to agricultural prices and production that may be referred to it by Government from time to time.

Food Security And Food Policies



- Food security refers to the availability of food and one's access to it. A household is considered food-secure when its occupants do not live in hunger or fear of starvation.
- Objectives of the Food Policy:
 - ✓ Effective price support operations for safeguarding the interests of the farmers.
 - ✓ Distribution of food grains throughout the country for public distribution system.
 - ✓ Maintaining satisfactory level of operational and buffer stocks of food grains to ensure National Food Security



Food Grain Price Policy

- Food grains price committee was set up in 1964 to determine producer prices of rice and wheat on all India basis.
- Food grain policy committee -1966
- The important aspects pertaining are:
 1. Controls on movement
 2. Compulsory levy procurement
 3. Fixation of maximum statutory price of food grains
 4. Rationing

The Food Corporation Of India



The Food Corporation of India was setup under the Food Corporation Act 1964 .

❑ Objectives of FCI:

- To make food grains available at reasonable prices, particularly to vulnerable section of the society
- To maintain buffer stocks as measure of Food Security
- To intervene in market for price stabilization
- to provide farmers remunerative prices

MINIMUM SUPPORT PRICE/PROCUREMENT PRICE



- The **Minimum Support Price (MSP)** Scheme is a scheme of the Government of India to safeguard the interests of the farmers.
- Under this Scheme the GOI declares the minimum support Prices of various agricultural produces and assures the farmers that their agricultural produce will be purchased at the MSP, thereby preventing its distress sale.
- The Food Corporation of India (FCI) acts as the Nodal Agency of the GOI. On behalf of FCI, the MSP Scheme is implemented through the State agencies.

- **CROPS COVERED UNDER MSP:**

WHEAT, BARLEY, GRAM, SAFFLOWER
RAPESEED/MUSTARD, PADDY, JOWAR, BAZRA, MAIZE,
RAGI, PULSES, GROUNDNUT, SOYABEAN, SUNFLOWER,
SESAMUM, NIGERSEED, COTTON, TOBACCO, JUTE,
SUGARCANE

- **How does government decides MSP?**

- **CACP**
- **View of state govt.**
- **View of ministries**

Benefits of MSP:

- ✓ income security to farmer bringing investment into agriculture
- ✓ building up buffers,
- ✓ a large network of FP shops,
- ✓ stabilizing price line and consumer welfare.



Public Distribution System

- **The Public Distribution System is one of the important elements of the Government's 'Food Security' system.**
- **PDS involves management of supplies of essential commodities and maintenance of their uninterrupted flow at affordable prices to the identified beneficiaries.**
- **It also works as an instrument for moderating the open market prices of food.**



➤ PDS means distribution of essential commodities to a large number of people through a network of FPS on a recurring basis.

Commodities involved are:

- ✓ WHEAT
- ✓ RICE
- ✓ KEROSENE
- ✓ SUGAR



Goals of PDS

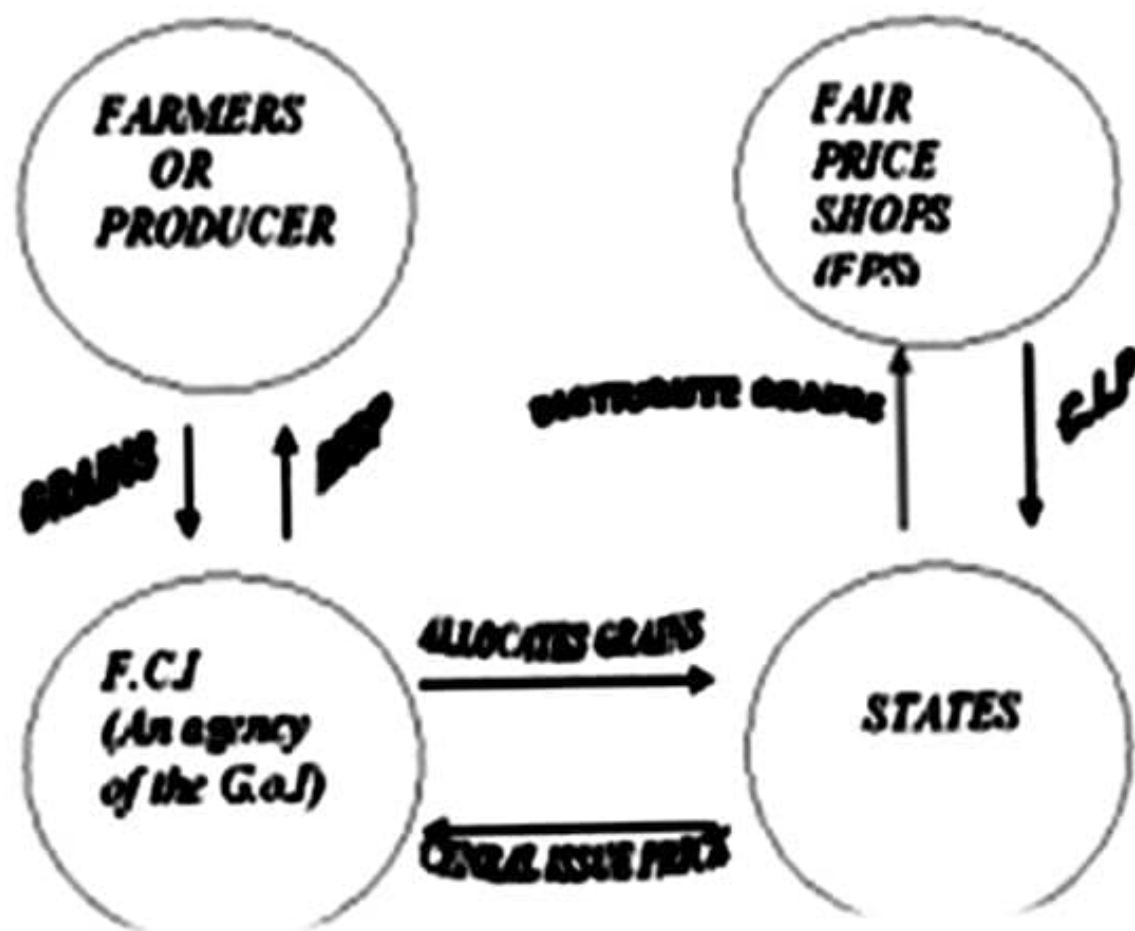
- Ensure social justice in distribution of basic necessities of life;
- Even out fluctuations in prices and availability of mass consumption goods;
- Support poverty-alleviation programs , particularly, rural employment programs .
- Check and prevent hoarding and black marketing in essential commodities



Who Operates PDS?

- **By Central Govt:** They are responsible for procurement, storage, transportation (upto the district headquarters) and bulk allocation of food grains.
- **By State Govt:** They are responsible for distributing these food grains to consumers through a network of Fair Price Shops.

Working of PDS





Problems In PDS

- The poor do not have cash to buy 35 kg at a time, and often they are not permitted to buy in installments.
- Low quality of food grains
- Weak monitoring and lack of transparency
- Price charged exceeds the official price by 10 to 14%
- Allocations from Govt are valid only for a month, and if the state government is not able to lift within that time, its quota lapses.



Revamped PDS

- Gol introduced a RPDS in **1992** in limited areas, primarily drought prone, tribal and hilly, and remotely located.
- The RPDS was being available to all in the selected area.
- Food grains for distribution in RPDS areas were issued to the States at **50** paise below the Central Issue Price. The scale of issue was up to **20** kg per card.



Targeted PDS

- RPDS substituted by TPDS in 1997.
- It specifically aimed at BPL people in all parts of the country.
- State-wise BPL quota is fixed on the basis of the adjusted poverty share determined by the Planning Commission based on official poverty



UNIQUE IDENTIFICATION NUMBER

- It is a single answer to address wide ranging problems in the Public Distribution System (PDS) in the country.
- There are some concerns regarding leakages and misidentification due to class division in rural areas.
- The UID is an individual system so it will eliminate the confusion over number of households.

Policy and Procedural Reforms



- **Elimination of Ghost Ration Cards**
- **There should be only one annual order from the district indicating quota of each dealer**
- **Making it obligatory for dealers to sell non-cereal items**
- **Oversight by citizens**
- **Involve civil society**



MARKET INTERVENTION SCHEME

- FOR THOSE CROPS NOT COVERED UNDER MSP
– ONION, POTATO, TURMERIC, CHILLIES
- THESE CROPS ARE IMPORTANT AT REGIONAL
LEVEL
- NEED FOR PRICE SUPPORT DOES NOT ARISE
EVERY YEAR



Difference Between MSP & MIS

PARTICULARS	MSP	MIS
COMMODITIES	FIXED	NOT FIXED
REGULARITY	EVERY YEAR	AD HOC
SUPPORT PRICE	DECIDED BY UNION	UNION & STATE
		GOVERNMENT
GOVERNMENT		
PURCHASES	ALL OFFERED BY	PRE-DECIDED
	FARMERS	LIMITED QUANT
APPLICABILITY	COUNTRY	SPECIFIED
LOSS	UNION GOVT.	EQUALLY
SHARED		BY STATE
AND		
UNION GOVT.		