

Agricultural Price Policy in India:

Agricultural price policy in India was introduced since independence. But the agricultural price policy formulated in India has varied widely for different years and also for different crops. This policy put much emphasis on the prices of foodgrains like wheat, rice and coarse cereals such as jowar, bajra, maize etc.

In India, the price policy was first introduced in 1947 with the formation of Food grains Policy Committee which recommended a policy of progressive decontrol, reduction of imports of food grains and substantial increase in the production of foodgrains. Again in 1950, Foodgrains Procurement Committee was appointed which introduced the system of rationing and control in the supply of foodgrains in the country.

The main objective of the price policy in India was to protect the interests of consumers. In this policy no attention was paid to provide incentive price to farmers. It was only in 1964, a clear-cut policy was introduced for providing incentive price to farmers.

The Third Plan document rightly observed that, “The producer of foodgrains must get a reasonable return. The farmer, in other words, should be assured that the prices of foodgrains and the commodities that he produces will not be allowed to fall below reasonable minimum.” Accordingly, the foodgrains Price Committee was appointed in 1964.

The agricultural price policy of the country like India should have the following objectives:

“(1) To protect or insure the producer through guaranteed minimum support price, which as a stabilisation measure reduces the variability in product prices and therefore price risk of the farmers. The impact of the risk reduction is expected to induce farmers to undertake large investments and to adopt improved production technology.

(2) To induce the desired outputs of different crops according to growth targets.

(3) To induce an increase in aggregate agricultural output through large input use and adoption of high yielding seed, fertilizer and water responsive technology.

(4) To induce farmers to part with a large proportion of foodgrains production as a marketed surplus.

(5) To protect the consumer against the excessive rise in prices, especially to protect the low income consumers in periods when supplies lag behind demand and market prices rise continuously”.

Following are some of important suggestions which can be advanced for the rationalisation of agricultural price policy of the country:

(i) Establishment of Some More Agencies:

Apart from Food Corporation of India, some more agencies should be set up for ensuring rational prices of other agricultural products and also for procuring other agricultural products. In the meantime the government has already set up Cotton Corporation and Jute Corporation, which needs to be further strengthened.

Moreover, the government should set up a separate agency for providing necessary minimum price support to perishable commodities like potato and other vegetables, fruit, etc., considering its growing potential market both for internal consumption and exports. The operational efficiency of existing agencies like FCI should be improved.

(iii) Rationalisation of Price Fixation:

The prices of agricultural commodities should be fixed in the most rational manner so that it could cover the entire costs of production. While fixing the prices, the increasing cost of agricultural input should be taken into consideration.

(iv) Protection of Consumers:

The agricultural prices should be so determined that it can also protect the interest of the general consumers.

(v) Modernisation:

The agricultural price policy should be framed in such a manner so that it can induce the farmers to go for modernisation of their agricultural practices.

(vi) Improvement in Agricultural Marketing:

In order to ensure the success of the agricultural price policy, the improvement of the agricultural marketing system is very important. The farmers should be set free from the clutches of middlemen and all intermediaries.

(vii) Improvement of PDS:

The public distribution system should be improved so as to ensure a success in the operation of agricultural price policy. The operation of fair price shops should be streamlined and be made more efficient and transpa

