

Price policy , farm profitability and food security

Part 2

State wise trends

Course instructor – Ashwani Kumar , Economics Department

Course – GE Hons.

Subject : INDIAN ECONOMY –II

Efficiency in COP of rice & wheat

- The States of HP, AP and Punjab are the efficient producers of rice in the triennium ending 2007.
- The farmers of AP and Punjab could produce a quintal of rice at 27% and 23% lower cost than that of the all-India average and they have improved the efficiency of production by reducing the CoP relative to all-India average during the study period.
- The obverse is true in case of Assam and Madhya Pradesh (MP) produces rice at 30% higher costs. Also, farmers from Assam and Tamil Nadu are expensive in rice production, which may be impinging seriously on their profitability.

- Rajasthan, Punjab and Haryana are the efficient producers compared to all-India average for wheat.
- Here, Jharkhand, West Bengal and Chhattisgarh produce wheat at whopping 87%, 57% and 49% higher cost than all-India.

Regional disparities in price realization

- There are significant regional disparities when we consider the 200 ratio of price realized to MSP.
- There was a decline in the ratio in 100 the triennium ending 2006-07 at the all-India level and in several states excluding Punjab, HP and Haryana for rice.
- It was much lower in states like Orissa, Bihar, Assam, West Bengal and UP . In the case of Haryana, the ratio was higher by 32% in the same triennium, which means that the realized price is 32% higher than respective support price.

- The ratio for wheat was much higher than for rice. For example, the realized price for wheat was 22% higher as compared to MSP at all-India level in the TE 2007-08. The higher ratio for wheat is true for all the reported states.

Return to farming over total cost

- The returns over total cost of cultivation (C2) show that the states like Assam, Bihar, Karnataka, MP, Orissa, Tamil Nadu, UP, and West Bengal witnessed negative returns for rice in the latest triennium .
- On the other hand, all states covered all costs for wheat except for Jharkhand and West Bengal.
- The profitability improved for rice in AP, HP, Haryana and Punjab during the study period, while it declined for other states. On the other hand, returns for wheat rose for all the states considered in the study.

Return to farming over paid cost (variable cost)

- However, all the states cover variable costs (A2) in rice and wheat with the exceptions being Uttarakhand for wheat . The situation in Jharkhand is also not remunerative enough to the farming community of wheat.
- The returns over variable costs for rice are much higher for HP, Punjab, Haryana, Chhattisgarh than other states.
- The returns for wheat are more than twice over A2 costs for the major wheat producing states. Ratio of returns over total costs (C2) and variable costs were higher for wheat as compared to rice since the mid-1990s.

- So there exist significant regional variation in terms of cost of production where north-western states seems to have an edge of wheat production and rice production over some central , eastern and southern states.
- It seems by and large technology dissemination has largely been expanded in north-western India at the expense or ignorance of other states.
- This regional variation is combined with specific variation in profitability of rice and wheat across regions in terms of return over farming of these two crops as well as ratio of price realized to MSPs in these states.