Falling Agri-Prices

What is the issue?

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- Despite bumper harvests the agrarian prices are falling, this is aggravating agrarian distress.
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- It is a pointer to institutional failure in addressing farmers' issues.
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What are the reasons behind falling prices?

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- The impact of demonetisation has disrupted the supply chains and contributed to traders not holding stocks at their normal levels.
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- The surge in imports of pulses and oilseeds, which only added to a bumper crop last year, aggravated the supply glut.
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- Sluggish global prices of soyabean and maize contributed to domestic prices falling well below MSP.
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- Export curbs on pulses, lifted recently (besides stocking limits) made matters worse.
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- Due to absence of higher public investment in the rural economy Support prices, price deficiency payments and higher credit are not working.
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Why higher outputs are not favourable to farmers?

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- It is significant that higher output has generally had no role to play in the

case of Kharif crops this season.
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- Kharif foodgrain output in 2016 was 138 million tonnes, it is estimated at 134 million tonnes this time.
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- Kharif oilseeds output is estimated at 20.6 million tonnes this year, against 22.4 million tonnes in 2016.
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- The effects of export curbs and higher imports to control consumer inflation in pulses in early and mid-2016, are being felt by farmers now.
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What needs to be done?

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- The Government should make sustained efforts to raise output,by providing price incentives, extension services and technology.
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- Public investment for developing a diverse food processing ability and marketing infrastructure is needed.
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- Centre and States should take steps to honour support prices by stepping up procurement.
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- Implementing the Pradhan Mantri Fasal Bima Yojana in the eastern region where the excess rain is likely to impact the standing paddy crop will somewhat address the issues.
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- The focus must be on improving output and yields should be accompanied by reliable price discovery.
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Source: Business Line

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