Managing Pulses Prices

What is the issue?

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The ironical condition of increasing pulses production and decreasing prices is calling for governmental intervention to make farming remunerative.

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What is the concern?

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- Amidst fall in pulses production in last few years, a number of market support measures were taken to enhance productivity.
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- Coupled with these, a good monsoon in 2016-17 in much of the country led to a good harvest.
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- Resultantly, there was an increased production in pulses.
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- However, the increased output led to the fall in pulse prices.
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- This ultimately resulted in the steep fall in nominal income of the farming sector.
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What is the cause?

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- Policies have attempted to address the challenge of achieving the twin goals of raising food production and ensuring a minimum price impact.
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- This is done through a variety of price support, procurement and public distribution policies.
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- But, weak price support mechanisms are failing to balance between the

production output and the resulting prices.
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- Large scale procurements at times reduce supplies in the market and impact market prices for all the farmers.
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What could possibly be done?

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- **Procurement** - The procurement policy could be fine-tuned to the market conditions so as to stop procurements if market prices touch the MSP.
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- A procurement system for absorbing ‘excess production’ from the market, departing from the ‘open-ended’ procurement approach has to be designed.
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- The objective should be to stabilise prices when prices fall below a certain level, on account of increased production.
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- It is essential to complement the system by a good marketing infrastructure for making it accessible to all farmers.
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- Also, the procurement system has to be supplemented by an efficient distribution system for it to be effective.
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- **Alternative scheme** - An alternative Price Deficiency Support Scheme is where farmers are paid the difference between market price and the MSP.
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- This does not envisage procurement by the government but only payment in cash to the farmers.
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- Thus, procurement-effected price fluctuations in the market can significantly be reduced.
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Source: BusinessLine

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