

Session V (Agricultural Economy/Policy)

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Presentation topic:

“A Preliminary Analysis on Agricultural Price Policy and Indian Agriculture: With Special Reference to Punjab”

Abstract:

Procurement of foodgrains especially rice and wheat at above minimum support prices (MSP) and its distribution through public distribution system (PDS) and other channels has been strengthened (with more targeted to the poor) after 1991 when full-scale economic reforms and liberalization started in India. The percentage of government procurement to total marketed surplus fluctuated between 34-52% for rice and 22-57% for wheat during the last 10 years until 2013/14, with an average of 42% and 38%, respectively. Especially, the percentages to marketed surplus are close to 100% in Punjab; hence it is apparent that the levels of MSPs determined by the government have decisive impact on the future foodgrain supply in India. On the other hand, the decelerated growth of agriculture after the mid-1990s, along with accelerated fragmentation of farm size due to inheritance, caused more Punjab farmers to move out to non-agricultural sectors, including international out-migration. Under such a situation, it is widely observed in Punjab that some farmers lease in land to expand operational farm size, trying to realize the economies of scale. However, the land rent per acre is observed to be very high, reaching 50-60% of total gross produce.

The paper tries to discuss the complex interrelations between the government agricultural price policy, especially MSPs for rice and wheat, and agrarian change in major surplus food-producing regions such as Punjab, taking full consideration of the movement of international rice and wheat market prices. Background there is a concern that India may enter into the stage of agricultural protectionism in the near future under the rapid non-agricultural sector growth.