

SUPPORT PRICES AND THE PRICES RECEIVED BY THE FARMERS FOR MAJOR CROPS-----AN ECONOMIC ANALYSIS

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The actual price received by the farmers show significant variations over the fixed support prices. In all 234 farmers were selected to conduct this study in the Faisalabad division. The difference between the support prices and the actual prices received by the farmers for wheat, rice, cotton, potato and sugarcane was -1.05, -2.35, 43.86, 155.50 and -1.15 Rs. per 40 kg. The main factors causing price difference were marketable surplus, time and volume of sale and distance from the market. The reasons for not taking produce to the procurement centres included higher kind deductions, over weighing, difficulty in the supply of gunny bags, delayed payments and misbehaviour of the staff at the procurement centres.

INTRODUCTION

Agricultural product prices are important both economically and politically since they strongly influence the level of farm income, the welfare of the consumer, and the amount of export earnings. Many agricultural product prices are no longer determined by the free play of the market forces. But pricing decisions whether made on the basis of market forces or political considerations, have important consequences. In developing countries like Pakistan, agricultural price policies are designed to transform the traditional agriculture by improving terms of trade in favour of this vital sector of the economy.

Support prices are aimed partly at raising the level of production and productivity in the agriculture sector and partly at helping particular groups of marginalised, under

privileged, or subsistence farmers. The actual prices received by the farmers show significant variations over the fixed support prices. There are many reasons of the difference in the actual and support prices such as social, economic and political. This study was planned to find out the economic reasons and suggest the appropriate measures in this respect.

MATERIALS AND METHODS

The study was conducted in Faisalabad division. Various tehsils in which the selected crops are grown were selected on the basis of a preliminary survey. From each selected tehsil one village was selected at random. From selected villages 15 producers of the desired commodity were randomly selected in equal number, keeping in view the size of the holding i.e. small (be-

low 12.5 acres), medium (12.5 to 25 acres) and the large (above 25 acres) farmers. In all 234 farmers were selected to conduct the study. For sugarcane 54 farmers were selected. Of these, 50% sold sugarcane to the mills while the remaining sold at the sugarcane purchase centres. For all other commodities, 45 farmers were selected for each commodity. The data pertain to the year

1988-89.

RESULTS AND DISCUSSION

The difference between the support prices and the actual prices received by the farmers for wheat, rice, cotton, potato and sugarcane was -1.05, -2.35, 43.86, 155.50 and -1.15 Rs. per 40 kg. It was -1.10, -1.80, 17.95, 77.75 and 10.38% of the actual prices received, respectively (Table 1). Wheat, rice and sugar-

Table 1. Difference between support price and actual price received by the farmers for various crops

Type of farmers	Actual price	Support price	Price difference	Price difference as % of actual price received Rs./40kg
<i>Wheat</i>				
Small	80.16	82.50	-2.34	-2.92
Medium	81.32	82.50	-1.18	-1.45
Large	82.85	82.50	0.35	0.42
Overall	81.45	82.50	-1.05	-1.10
<i>Rice (Basmati Paddy)</i>				
Small	129.55	135.00	-5.45	-4.20
Medium	133.40	135.00	-1.86	-1.39
Large	135.29	135.00	0.35	0.42
Overall	132.65	135.00	-2.35	-1.80
<i>Cotton</i>				
Small	233.97	198.00	35.97	15.17
Medium	240.12	198.00	42.12	17.36
Large	257.49	198.00	53.49	21.13
Overall	241.86	198.00	43.86	17.95
<i>Sugarcane</i>				
Small	11.25	12.79	-1.29	-11.74
Medium	11.53	12.79	-1.26	-11.54
Large	11.89	12.79	-0.90	-07.90
Overall	11.64	12.79	-1.15	-10.38
<i>Potato</i>				
Small	192.47	44.50	147.97	76.88
Medium	202.13	44.50	157.97	78.02
Large	205.13	44.50	160.63	78.31
Overall	200.00	44.50	155.50	77.75

*The main variety of cotton sown in the study area was NIAB-78.

cane showed a decreasing trend in price difference with the increase in farm size, while for cotton and potato the price difference was positively correlated with the farm size.

The average marketed surplus was estimated as 67.00, 79.26, 92.24, 97.61 and 82.06% for wheat, rice, cotton, potato and sugarcane respectively. More than 40.00, 48.88, 31.11 and 22.22% of the wheat, rice, cotton and potato growers disposed off their surplus commodities at village level, while 35.66, 51.12, 22.22 and 46.66% at commission agent level respectively. About 24.34% of the farmers, on an overall basis, disposed off wheat at government purchase centres while the percentage of the small, medium and large farmers who sold at government purchase centres was 13.33, 26.66 and 66.67 respectively. About 46.67% of the farmers disposed off their cotton at ginning factory level. Nearly 31% of the potato farmers sold their produce to the wholesalers. Half of the sugarcane growers sold their crop to sugar mills and the rest half sold at the sugarcane purchase centres.

The sale made in villages decreased with the increase in farm size for all the commodities under study. The farmers who sold to the commission agents or at government purchase centres received higher prices for their commodities as compared to those who sold at village level. Thus the place of sale was a strong factor that caused variations in the prices received.

The time and volume of sale caused price variation in the manner that the farmers who sold at

post-harvest season got higher prices than those who sold during harvest period. In case of wheat the price at post-harvest season (in the months of January to March) was as high as Rs. 16.50/40 kg when only 24% of the marketed surplus was sold. The situation of cotton, rice and potato was not much different from wheat crop. In the post-harvest season, the price difference in rupees per 40 kg for these crops was as high as 42.00, 10.00 and 180.00 respectively.

The distance factor also caused price variation. The transportation charges were an important component of marketing cost and the longer was the distance the lesser were the prices received. Reasons for not taking wheat to the procurement centres by majority of the farmers included high kind deductions, over weighment, difficulty in the supply of gunny bags, delayed payment of sale proceeds and misbehaviour of the staff at the procurement centres.

CONCLUSIONS

The farming community generally lacks the staying power and disposes off 80-90% of wheat, rice and cotton just after harvest when there is a glut in the market and fetches low price. Credit should be provided to the growers to improve their staying power.

The transportation cost to sell wheat of the growers at the purchase centres situated at more than 10 km distance was almost double and four times more than those who sold at the purchase centres in the radius of 5-10 km and below 5

km respectively. The PASSCO/Food Department should set up more purchase centres within easy reach of the farmers so that they may be able to get better returns for their surplus wheat. The Rice Export Corporation procure rice from the commission agents who purchase it from the farmers. The Corporation should open rice purchase centres. In this way the farmers will benefit as the commission agent will be eliminated.

The government pays 75% of the value of the sugarcane to the mills as soon as it is produced, whether or not its possession is taken over by the government. Accordingly it should be made obligatory on the mills to pass these funds to the bank for payment to the farmers at a predetermined schedule. On the outstanding dues the farmers should be entitled to earn normal interest charged by the banks. In the study year (1988-89), the price of potato in the open market was almost four times higher than the support price. The government should therefore increase the support prices of the potato. Long time

cyclical variations in the prices of potato were noted. Government should export the surplus potato to help reduce the cyclical variation to the minimum. Also the number of procurement centres for potato be increased. AMSL should provide imported seed of potato to the farmers and collect it at the time of purchase of potato produce at their procurement centres.

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