

## Does Farmers Aware and Benefited with Price policy:A study in Tamil Nadu, India

### ABSTRACT

**Aim:**The Support Prices announced by the government is moved with a purpose of providing price security to farmers.This study assess the level of awareness on price support policy, to study the relationship between, Minimum Support Price and price realized by the farmers and to study the implementation of MSP Policy in Tamil Nadu.

**Study design:** Multi stage Random sampling techniques were adopted.

**Place and Duration of Study:** The study was conducted in Tamil Nadu. Primary data were collected from 29 districts of the State. The data was collected during the period from August 2021-September 2021.

**Methodology:**A total of 600 farmers from 29 districts were surveyed. Both Primary and Secondary data was used for this study. The data are pertaining to the reference year 2020-21. The percentage and average analysis were done.

**Results:**This study found that 55 per cent of farm households are not aware of MSP of crops grown by them which is a cause of concern. The crops like paddy, maize, green gram, cotton and sugarcane price realized by the farmer was less than the announced MSP. Out of few who were aware of MSP, nearly 20 per cent of farmers reported not selling the produce to procurement agencies. The important advantages from the procurement agencies are immediate payment for the produce and genuineness in weighing.

**Conclusion:**To increase the awareness about MSP of crops and to take benefit of it, better network of procurement agencies should be developed. Decentralized procurement agencies with local presence coupled with increased drying facility, storage capacity and deficiency payments can extend the benefits of support prices to a larger segment of the farming community.

**Key words:** Price Support Policy –Minimum Support Price-Awareness- Benefits of Price Policy-Direct Procurement

### 1. INTRODUCTION

Apart from providing food and raw material, the agriculture sector continues to be the single most important source of livelihood for the masses. In India, 54.6% of the total workforce is engaged in agricultural and allied sector activities (Census 2011). Despite this, agriculture is worsened by a variety of factors, ranging from climatic change, biotic constraints, uncertainties in yield and prices, imperfect markets, insufficient infrastructure and lack of financial services. Assurance of a remunerative and stable price environment is considered crucial for increasing agricultural production since the market price is unstable for most of the agricultural produce, leading to too much losses on growers, even when they adopt the best available technology efficiently (Acharya 1997).

Towards this end, the Government announces Minimum Support Price (MSP) for 23 agricultural crops every year before the start of the sowing season as a form of market intervention to guarantee a fair price to the farmers and to encourage investment in production of agricultural commodities (Mohanakumar, 2018). It is the price at which the government procures the crops produced from the farmers, to safeguard the interest of farmers. The guaranteed MSP is expected to cover the cost of production together with a certain profit margin to them (Narayanamoorthy et.al.

2014). On the recommendations of the Commission for Agricultural Cost and Prices (CACP), MSP is fixed and announced every year by the Central Government. In addition to that, the State Governments also declare a bonus, over and above the already declared MSP so as to cover the regional variation in input prices. The Government procures agricultural commodities through various public and cooperative agencies. The Food Corporation of India (FCI) is a nodal Central agency along with other State agencies which undertake the procurement of wheat and paddy. Procurement of pulses, oilseeds, cotton etc., is done by the NAFED, Small Farmers Agribusiness Consortiums (SFAC), Cotton Commission of India (CCI) and other agencies under Price Support Scheme (PSS). There have been a lot of apprehensions on MSP since its inception. A study by many authors (Chand, 2003; Deshpande and Naika 2002; Narayanamoorthy, 2013; Narayanamoorthy and Ali 2013 and Niti Aayog, 2016) stated less per cent of farmers alone benefited from the announced MSP. Many of the farmers in the states are not aware of the MSP policy. Hence, there is a need to look into the level of awareness on MSP policy, farm gate prices received by them and gains received by the farmers. Against this background, the study was conducted with the objective to assess the level of awareness on price support policy, to study the relationship between, Minimum Support Price and price realized by the farmers and to study the implementation of MSP Policy and gains to farmers in Tamil Nadu

## 2. METHODOLOGY

This study was conducted in Tamil Nadu. In Tamil Nadu 30 districts were selected representing all the agro climatic zones except high rainfall zone and hilly zone. The districts viz., Chennai, Krishnagiri, Kanniyakumari and The Nilgiris were not selected for this study. In each district two blocks were selected. One revenue village was selected from each block and 10 farmers in each village were chosen for this study. A total of 600 farmers were surveyed. This study used both primary and secondary data. Primary data were collected using a well-structured interview schedule. The data was collected during the period from August 2021-September 2021. The data are pertaining to the reference year 2020-21. The percentage and average analysis were done.

## 3. RESULTS AND DISCUSSION

A brief profile including age, education, experience in farming and farm size of the sample respondents were discussed in Table 1. The age of the farmers influence the level of adoption of innovation. The average age of the respondents is 54.2 years. The understanding of an innovation is influenced by the level of education. It is expected that educated farmers aware more on government programmes or modern agricultural technologies. It is seen that 43 per cent of the respondents are at secondary level of education and 17 per cent of the farmers having primary schooling. The years of farming experience shows the levels of knowledge on agriculture gained by the farmers. Around 69 per cent of the farmers are having 16-40 years of experience in farming. Farm size is influencing the level of adoption of technology. Semi-medium size farmers are higher followed by medium and small size farmers.

**Table 1: General characteristics of the sample respondents(N= 600)**

| S.No     | Particulars                | Percentage to the total |
|----------|----------------------------|-------------------------|
| <b>A</b> | <b>Age (Years)</b>         |                         |
| 1        | <40                        | 11.3                    |
| 2        | 40- 66                     | 74.2                    |
| 3        | >66                        | 14.5                    |
| <b>B</b> | <b>Education</b>           |                         |
| 1        | No Schooling               | 6.3                     |
| 2        | Primary school             | 17.0                    |
| 3        | Middle school              | 5.7                     |
| 4        | Secondary                  | 43.2                    |
| 5        | Higher secondary           | 11.3                    |
| 6        | Graduate                   | 12.8                    |
| 7        | Post Graduate              | 3.7                     |
| <b>C</b> | <b>Experience in years</b> |                         |
| 1        | <16                        | 18.0                    |
| 2        | 16-40                      | 69.3                    |
| 3        | >40                        | 12.7                    |
| <b>D</b> | <b>Size class</b>          |                         |

|   |                         |      |
|---|-------------------------|------|
| 1 | Marginal (< 0.99 ha)    | 16.0 |
| 2 | Small (1 to 1.99 ha)    | 24.3 |
| 3 | Semi-Medium (2 to 3.99) | 33.2 |
| 4 | Medium (4 to 9.99 ha)   | 25.0 |
| 5 | Large (> 10 ha)         | 1.5  |

Source: Primary survey

### 3.1 Farmer's awareness about Minimum Support Price Policy

The MSP forms an integral component of agriculture price policy in India. The MSP supported as floor price for farm produce, maintaining buffer stock and supply food grains to the Public Distribution System (Aditya et.al, 2017). It incentivizes the farmer to allocate resources in socially desired cropping patterns and provides security for long-term investment decisions by the farmers. Another important objective of MSP is expected to provide a sense of price security to the farmer and motivate them to diversify the crops. MSP as an incentive for diversification is superior to other incentives (Planning Commission 2005).

For MSP to function as safety net, there must be a system of procurement, which should buy the produce at MSP whenever market prices fall below support price for the crop, and farmer must be aware of the MSP for the crops grown by him so that he can refuse to sell his produce at price below MSP. Table 2 presents the percentage of farmers who are aware of MSP of crops grown by them

**Table 2. Farmer's awareness about Minimum Support Price Policy**

| S. No | Farm size               | Number of farmers | Awareness on MSP | Percentage to the total farmers aware on MSP (N= 268) |
|-------|-------------------------|-------------------|------------------|-------------------------------------------------------|
| 1     | Marginal (< 0.99 ha)    | 96                | 20(20.83)        | 7.5                                                   |
| 2     | Small (1 to 1.99 ha)    | 146               | 60(41.10)        | 22.4                                                  |
| 3     | Semi-Medium (2 to 3.99) | 199               | 98(49.25)        | 36.6                                                  |
| 4     | Medium (4 to 9.99 ha)   | 150               | 81(54.00)        | 30.2                                                  |
| 5     | Large (> 10 ha)         | 9                 | 9(100)           | 3.4                                                   |
|       | Total                   | 600               | 268(44.67)       | 100                                                   |

(Figures in the parenthesis are percentage to the total)

Source: Primary survey

Of the total farmers surveyed 45 per cent of them are aware about the scheme. **The findings are confirmed with the study by Mukesh et.al., 2021.** Any household having knowledge of MSP for at least one crop grown in Kharif or Rabi season is considered as aware. The farm size class wise awareness shows that 54 per cent of medium size farm group aware on the MSP Scheme followed by 49 per cent of semi-medium farmers and 41 per cent of small farmers are aware on the MSP policy. Comparing the previous studies on awareness on MSP policy among farmers it was increased to 45 per cent in the recent times. The semi- medium and medium farmers are having higher awareness than small and marginal farmers. The years of awareness on MSP revealed that 46 per cent of the farmers having less than five years of awareness and 23 per cent of farmers having 5-10 years of awareness (Table 3).

**Table 3. Years of Awareness on MSP**

| S. No | Years                | Number of farmers | Percentage to the total |
|-------|----------------------|-------------------|-------------------------|
| 1     | Less than five years | 123               | 45.9                    |
| 2     | 5 -10 years          | 63                | 23.5                    |
| 3     | 11-15 years          | 56                | 20.9                    |
| 4     | 16-20 years          | 21                | 7.8                     |
| 5     | > 20 years           | 5                 | 1.9                     |

Source: Primary Survey

### 3.2 MSP and Price realized by the farmers

The comparison was made to assess the relationship of price realized by the farmer and the MSP announced by the government. The average prices realized by the farmers in crops like paddy, maize, green gram, cotton and sugarcane was less than the announced MSP during the year 2019-20 and it is same for all crops except sesame during 2020-21. The results shows that farmers are getting the price below the MSP (Table 4).

**Table 4. Comparison of FGP and MSP**

| Crop      | 2019-20      |              |                     | 2020-21      |              |                     |
|-----------|--------------|--------------|---------------------|--------------|--------------|---------------------|
|           | FGP (Rs/Qtl) | MSP (Rs/Qtl) | Per cent difference | FGP (Rs/Qtl) | MSP (Rs/Qtl) | Per cent difference |
| Paddy     | 1718         | 1815         | -5.3                | 1770         | 1868         | -5.2                |
| Maize     | 1620         | 1760         | -8.0                | 1421         | 1850         | -23.2               |
| Greengram | 6097         | 7050         | -13.5               | 6647         | 7196         | -7.6                |
| Blackgram | 6388         | 5700         | 12.1                | 5742         | 6000         | -4.3                |
| Cotton    | 4830         | 5255         | -8.1                | 4929         | 5515         | -10.6               |
| Groundnut | 5154         | 5090         | 1.3                 | 5137         | 5275         | -2.6                |
| Sesame    | 8259         | 6485         | 27.4                | 8971         | 6855         | 30.9                |
| Sugarcane | 266          | 275          | -3.3                | 269          | 285          | -5.6                |

Note: FGP- Farm Gate Price, Source: Primary Survey

The crop wise farmers benefitted from the MSP policy is given in Table 5. It shows that 95-100 per cent of the sesame growing farmers are selling the produce above the announced MSP followed by 61-74 per cent of the blackgram farmers, 41-45 per cent of paddy growing farmers and 20-33 per cent of green gram growing farmers are selling the above MSP price.

**Table 5. Percentage of Farmers sold the product above the MSP**

| Crop      | 2019-20             |                     | 2020-21             |                     |
|-----------|---------------------|---------------------|---------------------|---------------------|
|           | Total no of Farmers | Per cent of Farmers | Total no of Farmers | Per cent of Farmers |
| Paddy     | 409                 | 41                  | 407                 | 45                  |
| Maize     | 68                  | 38                  | 46                  | 2                   |
| Greengram | 41                  | 20                  | 15                  | 33                  |
| Blackgram | 38                  | 74                  | 54                  | 61                  |
| Cotton    | 22                  | 32                  | 19                  | 15                  |
| Groundnut | 62                  | 50                  | 71                  | 15                  |
| Sesame    | 19                  | 95                  | 11                  | 100                 |
| Sugarcane | 49                  | 24                  | 58                  | 12                  |

Source: Primary Survey

The benefits received by the farmers from MSP policy are given in Table 6. Around 56 per cent of the farmers reveal that MSP guaranteed the assured price for their produce before sowing the crops. That cushions the farmers to be engaged in the farming. This pre announced MSP improves the bargaining power of the farmers between trades and other stakeholders in the market revealed by 19 per cent of the farmers. The choice of crops to be grown in a particular season was influenced by many factors like water availability, ease of cultivation, availability of market and expected prices for the product. The announced MSP facilitates the farmers to choose the crop to be grown in their field were revealed by 11 per cent of respondents. The other benefits received are minimum support price stabilizes the commodity prices, provides confidence among farmers in cultivating crops and encouraged farmers to adopt new low cost technologies for getting higher profit from crop cultivation.

**Table 6. Benefits received by the farmers from MSP Policy**

| S. No | Particulars                                 | Percentage to the total (N= 268) |
|-------|---------------------------------------------|----------------------------------|
| 1     | Guaranteed price for the commodity          | 56                               |
| 2     | Improves the bargaining power of the farmer | 19                               |

|   |                                                       |    |
|---|-------------------------------------------------------|----|
| 3 | Stabilises the commodity prices                       | 9  |
| 4 | Confidence among farmers in cultivating crops         | 10 |
| 5 | Choosing of crop based on MSP                         | 11 |
| 7 | Encouraged farmers to adopt new low cost technologies | 4  |

Source: Primary Survey

### 3.3 Direct Procurement Operation and MSP

Paddy is an important principal crop cultivated by the farmers in Tamil Nadu. The paddy is sold by the farmers in the farm gate to the middlemen or through regulated market operating in the taluk headquarters and through direct procurement center(DPC) operated for procurement of paddy and to supply it to the public distribution system or maintaining the buffer stock. In all the paddy growing districts Tamil Nadu Civil Supplies corporations opened direct procurement center which avoids marketing risk faced by the farmers. However there is procurement bias in major procurement States (Gupta et.al., 2021) The important advantages from the DPCs revealed (Table 7.) by the farmers are immediate payment for the sold produce in their account. In the traditional marketing farmers are selling the produce to the local trades or processor or wholesaler and waited for 15 to 30 days for getting payment which hardens the farmers to continue the crop cultivation in subsequent season. Malpractices in the weighment of the produce in open market are important marketing issues. Genuineness in weighment of the produce in the direct procurement center was revealed by 38 per cent of the farmers. Farmers are getting the assured MSP for the produce while selling the produce in DPC and middlemen are completely eliminated in the marketing channel.

**Table 7. Advantages of selling through DPC**

| N=214 |                                          |                         |
|-------|------------------------------------------|-------------------------|
| S. No | Particulars                              | Percentage to the total |
| 1     | Immediate Payment to the farmers account | 43                      |
| 2     | Genuineness in weighment                 | 38                      |
| 3     | Assured MSP for the produce              | 36                      |
| 4     | Middlemen's are eliminated               | 12                      |
| 5     | Payment security                         | 21                      |

Source: Primary Survey

Even though implementation of MSP policy is in operation and having advantages in direct procurement centers, many farmers are facing constraints in selling the produce through DPC (Table 8.). About 87 per cent of the farmers said that drying facilities are not adequate in most of the DPC are the most perceived constraints by the farmers. The DPC are opened near the production centres i.e. near to the farmer's field or in the taluk headquarters may not have sufficient drying facilities since, after harvesting farmers directly take the produce to the nearby DPC with high moisture content. There expenses for packing material or tarpaulin for drying or to protect the produce from rain. The other constraints are expenses for transportation, drying and winnowing, loading and unloading, commission charges, procurement process as per the seniority, losses due to natural calamities.

**Table 8. Constraints faced in selling the commodities through DPC**

| N=214 |                                                                                  |                         |
|-------|----------------------------------------------------------------------------------|-------------------------|
| S. No | Particulars                                                                      | Percentage to the total |
| 1     | Drying facilities are not adequate in DPC                                        | 87                      |
| 2     | Expenses for gunny bag and tarpaulin                                             | 76                      |
| 3     | Transportation expenses                                                          | 61                      |
| 4     | Expenses for drying and winnowing                                                | 53                      |
| 5     | Commission charges                                                               | 35                      |
| 6     | Procurement process as per the seniority leads to delay in selling the commodity | 23                      |
| 7     | Losses during the procurement process due the natural calamities                 | 29                      |
| 8     | Labour charges for loading and unloading in DPC                                  | 32                      |
| 9     | Delayed opening                                                                  | 12                      |
| 10    | DPC may ensure only farmers sale their produce                                   | 14                      |

Source: Primary Survey

## 4. Conclusion

An important pillar of Indian Agricultural price policy, Minimum Support Prices is moved with a purpose of providing price security to farmers. Theoretically, MSP are to benefit farmers of most of the crops. In this study we assess the level of awareness on price support policy, to study the relationship between, Minimum Support Price and price realized by the farmers and to study the implementation of MSP Policy in Tamil Nadu by conducting primary survey from farmer's across the state of Tamil Nadu. We found that more than 55 per cent of farm households is not aware of MSP of crops grown by them which is a cause of concern. The years of awareness were only in less than five years. If the farmers are aware of the MSP of crops, they can have better bargaining power and refuse to sell for less. Their ignorance would make it easy for middlemen and other traders to exploit the farmers by quoting less price. The relationship between price realized by the farmer and the MSP showed that crops like paddy, maize, green gram, cotton and sugarcane price realized by the farmer was less than the announced MSP. The crop wise farmers benefited from the MSP policy shows that 95-100 per cent of the sesame growing farmers 61-74 per cent of the blackgram farmers, 41-45 percent of paddy growing farmers are selling the above MSP price. Out of few who were aware of MSP, nearly 20 percent of farmers reported not selling the produce to procurement agencies. Unavailability of procurement agencies and local purchasers were reported as the major reason. The important advantages from the DPCs revealed are immediate payment for the sold produce and genuineness in weightment of the produce in the direct procurement center. Even though implementation of MSP policy is in operation and having advantages in direct procurement centers 87 percent of the farmers said that drying facilities are not adequate in most of the DPC and delayed opening. It is concluded that to increase the awareness about MSP of crops and to take benefit of it, a better network of procurement agencies should be developed. Decentralized procurement agencies with local presence coupled with increased drying facility, storage capacity and deficiency payments can extend the benefits of support prices to a larger segment of the farming community.

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