

**CHAPTER-V**

**SUMMARY AND CONCLUSIONS**

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The major aim of agricultural price policy is to correct distortions, which cause adverse social and/or economic effects, mainly emerging from time to time because of the imperfections of the market mechanism. On the one hand the interests of the producers need to be safeguarded through price support operations, when there is a sharp fall in prices. On the other hand interests of the consumers, particularly belonging to the vulnerable weaker sections of the population, must be protected through procurement and distribution of a part of the marketable surplus at sub-market prices, in conditions of sharp rise in prices of basic necessities like cereals.

Upto 1965, India's agricultural price policy mainly comprised short term ad-hoc measures adopted hastily to meet the exigencies of particular situations as and when they developed. Since policy measures were adopted only after the occurrence of the event they inevitably suffered from an element of time lag and hence failed to make the desired impact. For example, schemes of rationing and public distribution of foodgrains were prepared hastily only after the scarcities had already hit the consumers through sky high prices.

The setting up of the agricultural prices Commission in 1965 constitutes water-shed in the history of agricultural price policy in India. It heralds the beginning of more meaningful, stable and comprehensive price policy. The Commission has evolved a fairly rational scheme for arriving at minimum support and procurement prices of farm products. However, we have yet a long way to travel to reach the goal of

evolving a balanced and integrated price structure in the perspective of the overall needs of the economy, safeguarding simultaneously the interests of both the producers and consumers.

The objective and functions of agricultural price policy are manifold but these cannot be achieved simultaneously, a choice has got to be made in respect of the immediate and long term objectives.

Agricultural Costs and Prices Commission fixes the minimum support prices and procurement prices. The procurement prices are fixed by the A.C.P.C. on the basis of the cost of cultivation but unfortunately there is no clear methodology for calculating the various items of cost of cultivation.

The Commission has no clear directive as to which cost of cultivation and whose cost of cultivation are to be considered. The whole mechanism of price fixation and the weightages assigned to different ingredients of cost is shrouded in a thick pall of mystery.

The price of sugarcane is not fixed by the process of perfect competition or monopoly. Sugar factories decide cane price considering Agricultural costs and prices Commission recommendations and State Government advice. The ultimate price is residual price in nature.

The minimum statutory cane price are fixed by the Government of India under the provisions of the sugarcane order, 1966, after giving consideration to the recommendations of A.P.C. and the views of the State Governments, the industry, the cane growers and other concerned interests. The minimum cane price is fixed with the object

of ensuring the payment of a guaranteed price for cane by the factory to the growers.

The main elements of the statutory minimum price as fixed at present can be summarised as :

- a) a minimum cane price.
- b) a basic level of sugar recovery,
- c) a premium for every one percent increase in sugar recovery above the basic level and
- d) the average sugar recovery of the factory during a fixed period.

There is no definite relationship between cost of cane cultivation and price of sugarcane. Year after year the cost of cane cultivation has been increasing but the price of sugarcane has not increased correspondingly.

The prices of sugarcane should be based on the quality of sugarcane. A common sugarcane price to all cane cultivators based on weight irrespective of the individual cane recovery is not a very sound policy. There is further need for intensive research of quantifying various implicit inputs in terms of cost of cultivations, neglect of which will be determined to the economic interests of the farming community.

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