



## Agricultural Price Policy, Output, and Farm Profitability in India

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**Abstract:** The formulation of agricultural price policy is complicated by the multiplicity of functions that price performs. The objectives, thrust, and instruments of agricultural price policy in India have undergone conspicuous shifts during the past 50 years and so has the role and effectiveness of price policy as a tool to influence the agricultural economy. The country's post-reform period witnessed higher emphasis and dependence on price policy compared with previous decades, where price policy aimed only at maintaining a balance between the interests of consumers and producers. It is in this context that the paper examines the effectiveness of procurement prices in getting sufficient income to the farmers. An in-depth analysis of costs and returns was conducted for wheat and paddy, the crops offered the highest protection by the state, to get idea of the profitability of Indian agriculture and gain insights into the workings of the price policy.



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### Introduction:

The agricultural price policy in India is basically aimed at intervening in agricultural produce markets to influence the level of fluctuations in prices and price-spread from farm gate to the retail level (Government of India, 2010). The formulation of agricultural price policy is complicated by the multiplicity of functions that price performs. The objectives, thrust, and instruments of agricultural price policy have undergone noticeable shifts during the past 50 years. Up to the mid-1960s, when the major concern was to ensure that the gap between demand and supply of food did not result in an excessive rise in consumer prices, the main instruments of policy were controls/restrictions on food grain sales, food imports, and distribution of food grains at pre-specified prices that were normally below the market prices. After the mid-1960s, when new seed and fertilizer technology became available, price policy was assigned a positive role of augmenting the availability of food grains by increasing

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