Indian Agriculture

Pricing

Marketing and

Financing of the Primary Sector

Pricing of Agricultural Produce

- Agriculture contributes ~18% to India’s GDP and employs ~45% of the population
- Pricing affects farmers' income, food security, and inflation.

Factors Affecting Agricultural Prices

- Demand and supply conditions
- Cost of production
- Government policies
- Seasonal fluctuations
- International trade and exports

Minimum Support Price (MSP)

- Defined: A pre-announced price to protect farmers from price crashes.
- Determined by the **Commission for Agricultural Costs and Prices (CACP)** based on:
  - Cost of production
  - Market price trends
  - Demand-supply conditions
  - Global price trends
- 23 crops covered under MSP.

MSP: Advantages

- Ensures stable income for farmers.
- Reduces distress selling.
- Supports food security programs (PDS).

Limitations:

- Limited procurement by the government.
- Benefit mainly to large farmers.
- Market prices often fall below MSP due to poor procurement.

Other Pricing Mechanisms

- **Procurement Prices:** Prices at which the government buys grains for PDS.
- **Market Prices:** Prices set by demand-supply in open markets.
- **Price Deficiency Payment Scheme (PDPS):** Government compensates farmers if market price is below MSP.

Marketing of Agricultural Produce

Agricultural Marketing in India

- Farmers sell produce through various channels, facing challenges like middlemen exploitation, poor storage, and transportation issues.
- **Marketing Channels**
- **Regulated Mandis (APMCs):** State-regulated markets with price controls.
- **e-NAM (Electronic National Agricultural Market):** Online platform integrating markets across India.
- **Farmer Producer Organizations (FPOs):** Groups of farmers selling directly to buyers.
- **Contract Farming:** Farmers grow crops for companies at pre-agreed prices.
- **Direct Marketing:** Farmers selling directly to consumers and retailers.

Issues in Agricultural Marketing

- Middlemen exploitation reducing farmer profits.
- Lack of storage and processing facilities.
- Price volatility leading to losses.
- Weak rural infrastructure (roads, markets, cold storage).

Reforms to Improve Marketing

- **Strengthening e-NAM** for better price discovery.
- **APMC reforms** to reduce middlemen intervention.
- **Cold storage and warehouses** to reduce post-harvest losses.
- **Encouraging contract farming** with fair regulations.

Financing of the Primary Sector

Importance of Agricultural Finance

- Farmers need finance for seeds, fertilizers, irrigation, machinery, and post-harvest storage.
- Credit is crucial to prevent reliance on high-interest moneylenders.

Institutional Sources of Finance

- **Commercial Banks & Regional Rural Banks (RRBs):** Provide short-term and long-term loans.
- **Cooperative Banks:** Offer small loans but face operational challenges.
- **NABARD (National Bank for Agriculture and Rural Development):** Refinances rural banks and supports agricultural credit.

Government Schemes for Agricultural Finance

- **Kisan Credit Card (KCC):** Quick access to loans at lower interest rates.
- **PM Kisan Samman Nidhi:** ₹6,000 per year direct benefit transfer to farmers.
- **Interest Subvention Scheme:** Subsidies to reduce farmers' interest burden.

Non-Institutional Finance & Issues

- Many small farmers depend on:
  - Moneylenders charging high interest.
  - Middlemen offering loans in exchange for cheap crop purchase.
- Leads to debt traps and financial distress.

Solutions for Better Agricultural Finance

- Expanding **Kisan Credit Card (KCC)** coverage.
- Promoting **digital lending platforms** for easy credit access.
- Strengthening **cooperative banks** for rural credit availability.
- Ensuring timely and adequate loan disbursement.

Challenges & Solutions Summary

- **Challenges & Solutions**
- Price volatility
- Better MSP implementation,
- PDPS
- Middlemen exploitation
- Strengthen e-NAM,
- APMC reforms
- Poor storage & logistics Invest in cold storage, rural roads
- Limited access to credit
- Expand KCC, digital lending platforms

Conclusion

- Indian agriculture needs **pricing stability, better marketing, and accessible finance** to ensure farmer prosperity.
- **Reforms in MSP, market linkages, and rural credit** can enhance farmer incomes and reduce distress.
- Government initiatives like **e-NAM, FPOs, KCC, and MSP reforms** are steps in the right direction.

- Thank You!
- Questions & Discussion