



INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

BEHAVIOUR OF SELECTED AGRICULTURAL COMMODITIES AT HINGOLI REGULATED MARKET

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Abstract:

National economy of India is still dominated by agriculture, because agriculture commands a larger part of the total national income. There is a close relation between the agricultural sector and the whole national economy. Prices of agricultural products and particularly the Agricultural Commodities prices of play an important role, not only in the agricultural sector but in the whole national economy of India. Investment from productive agricultural sector, government has to divert the amount for payment of higher salaries to employees to maintain their standard of living. Therefore, this present study is based on review of above literature to study the behavior of arrivals and prices of selected agricultural commodities at Hingoli Regulated market. The study area is a sample Hingoli taluka (block) (Maharashtra State).

Keywords: PRICE, BEHAVIOUR, VARIATIONS, AGRICULTURAL, COMMODITIES, REGULATED, MARKET.

INTRODUCTION:

Besides agricultural development, agricultural prices have also a vital role to play. The anxiety against any abnormal rise in food grain prices in such an economy is clearly understandable for in such economies a majority of the population devotes a substantial part of its energies to earn income, sufficient to purchase food grains. Expenditure on food grains form the major part of total consumer expenditure, culminating in many cases to eighty percent.

Objectives:

This study concentrates mainly on the following objectives:

1. To study the seasonal variation in prices and market arrivals of selected agricultural commodities at Hingoli regulated market.
2. To study the seasonal pattern of market arrivals and prices of selected agricultural commodities at Hingoli regulated market.
3. To study the annual variation in prices and market arrivals of selected agricultural commodities at Hingoli regulated market.
4. To study the relationship between market arrivals and prices of selected agricultural commodities at Hingoli regulated market.

Research Methodology:**i) Study Area:**

Hingoli district is a one of newly form district in 1999 of the Maharashtra State. Agriculture is the main of occupation of the people in this district about 85% populations depend upon the agriculture sector in this district and taluka (block) also.

As a sample study of selected agricultural commodities at Hingoli taluka (block) regulated market.

ii) Selection of commodities:

The main aim of the present study is to study the price behavior of selected agricultural commodities. This study covers ten selected agricultural commodities produced in this region (block). The selected agricultural commodities are wheat, Kharif jowar, Rabi jowar, tur, green gram, black gram, gram, soybean, sunflower and safflower.

1.1. Importance of Prices:

According to Acharya and Agarwal, agricultural prices are important for governments on several counts some of which are: 1) Overall economic control, 2) component of agricultural development strategy, 3) plan and project formulation, (4) monetary and fiscal policies, and 5) market information and intervention. Most governments keep in mind the objectives of assuring remunerative prices to farmers and making goods available to consumers at reasonable prices. To achieve these conflicting objectives, close monitoring of prices at the farm gate and retail levels becomes necessary.

According to Mellor, agricultural prices may play a more important role in signaling the Government the need for greater investment in roads, power supply, extension, research and other parts of the infrastructure of technological change in agriculture.

Acharya and Agarwal say that agricultural prices are most important for farmers. Individual farmers make use of prices in various ways: (1) Long-term planning of farm business: knowledge of prices is useful to farmers in making long term farm investment. Investment in buildings, farm machinery, and land development and irrigation structures is long-term investment. Prediction of likely

returns from this investment is done on the basis of prices, (2) information on prices is beneficial to farmers in taking decision pertaining to selection and management of different crops and livestock enterprises.

According to Acharya and Agarwal, agricultural prices are important for cooperatives and private business organizations, in various ways. They help them to plan the character, location, size and other features of the agricultural business enterprises. It also helps them to determine the time and place of purchase of raw materials or supplies and govern policies with respect to expansion or scaling down of the business.

Agricultural prices are important from the point of view of the standard of living for the various classes of society as consumers. Because change in agricultural prices have different types of affects on the standard of living of these various classes. An increase in agricultural prices brings down the standard of living of consumers.

According to Indrasena Reddy, agricultural prices also serve as a guide to farmers in their decisions regarding what to produce, when to produce and how much to produce. Furthermore, prices of agricultural commodities also act as signals for the movement and allocation of resources and in turn affect agricultural production.

Kaunal has stated that prices play an important role at every stage in production, distribution, exchange and all other activities till the agricultural produce reaches the ultimate consumers.

Agricultural prices have an important effect on government revenue, funds, taxes, etc. They also affect the standard of living of agriculturists; marketable surplus as well as earning of foreign exchange also depends on agricultural prices. If agricultural prices have increased, farmers will sell more quantity in market.

1.2. Price Problem of Agricultural Products:

Agricultural prices is a big problem in Indian agricultural sector, because agricultural production depends upon monsoons, therefore the agricultural prices are subject to fluctuations any time. There are two aspects of agricultural price problem.

Now a day's price variation is a serious problem for farmers. The farmers have always been the losers and do not get the profits. The study of the second aspect of this problem, that the prices of agricultural commodities are unexpected and fluctuate violently, which have adverse effects on the pattern and volume of agricultural production.

There are two types of price variation: (1) spatial price variation and (2) temporal price variation. The spatial price variations depend on element of distance and temporal price variations are based on time element.

1.3. Types of Price Variations:

The well known feature of agricultural price variations is that the prices move downwards at a minimum level, in peak marketing period and increases to maximum level in lean season. But the seasonal variations are different from commodity to commodity and time to time.

There are six major time elements in price variation: (1) Short-time price variations, (2) seasonal price variations, (3) annual price variations, (4) cyclical price variations, (5) secular trend in prices, and (6) irregular and episodic price fluctuations.

1.3.1. Short-time Price Variations:

In any price series there are many minor variations, lasting comparatively short periods of time, which have a little or less regular movements of long-run duration. In other words, short-time price variations occur due to changes in the demand and supply. There are the hour to hour, day to day or week to week price variations.

1.3.2. Seasonal Price Variations:

The second distinct type of variations observed in the prices of most commodities is the seasonal movement. This type of price variation is more important and at the same time simpler and better understood than short-time price fluctuations. The seasonal nature of agricultural production, low capacity of the small and marginal farmers to hold stock and to obtain credit to postpone their sales, less storability of agricultural products are the factors which explain the variations in arrival and prices of agricultural commodities from one season to another within a year.

According to Bhise, the tendency is that the market supply of agricultural commodities is very high in peak period and very low in lean period. The excess market supply (arrival) of agricultural commodities pushes the prices down to very low levels in peak period and low market supply (arrival) pushes them to unduly high levels during lean period. Naturally, the peak and lean periods differ from commodity to commodity.

The seasonal nature of production affects prices of agricultural commodities in two ways: (1) Perishable and semi-perishable commodities have to be moved to consumption points as soon as the produce is harvested. In that part of the year when supplies are large, there is bound to be a decline in prices and vice versa. This is true for vegetables, fruits, milk and other perishable products. (2) Non-perishable commodities like food grains, cotton and wool can be stored after the harvest. The storage of agricultural products involves cost called 'storage cost'.

1.3.3. Annual Price Variations:

Changes in prices from one year to another are known as year to year or annual price variations. Such fluctuations are observed for agricultural commodities mainly because of the annual nature of production. The area under cultivation and yield of crops fluctuate from year to year. For some crops, however, acreage changes are more responsible for yearly fluctuations in production than the variations in yield.

Annual price variations result in fluctuations in the farmers' incomes. If the demand for farm products is inelastic, the annual variation in yields causes prices to fluctuate. It means that when demand for farm products is inelastic, the producers' incomes will vary from year to year with crop yields.

1.3.4. Secular Trend in Prices:

The tendency of prices to move up or down over a longer period of time is termed as a trend or secular price variations. A trend in prices is usually established on the basis of at least 10 to 15 years data. The trend is not concerned with the movement in prices from one year to another but for a large number of years say, ten or more.

1.3.5. Cyclical Price Variations:

Agricultural prices also change in cyclical manner but are different from seasonal variations. Cyclical price variations occur in long period than the period of occurrence of seasonal variations and they are unplanned because they are the result of the factors which are beyond the control of farmers.

It is common knowledge that the price of any farm product decreases during the harvest season and continues to rise during the rest of the year till the next harvest season. Prices of most farm products also reveal a cyclical pattern within a year.

1.3.6. Irregular Price Variations:

Irregular price variations are due to wars, droughts, floods, earthquakes, strikes, elections, early or late arrival of the monsoon, fear of tax rise especially at the time of the presentation of the budget by the Government or any incidental factors which are not concerned with the general trend or cyclical price variation or annual price variation. It is impossible to avoid these variations and also difficult to control them. Irregular price variations may be of shorter or longer duration.

1.4. Causes of Price Variations:

Agricultural price variations are a conspicuous phenomenon in India. The root of the kind of price variation is in the nature of demand and supply of agricultural products. Also there are number of other factors which result in fluctuations in the agricultural prices, viz., change in monetary policy, fiscal policy, tariff policy, future price trend, transportation facilities, storage and credit facilities, processing facilities, effective marketing system, economic and political events, lack of effective price policy, change in technology, credit policy, rate of taxes, government facilities, nature of production, change in market arrivals, etc. But wide fluctuations in agricultural prices take place mainly due to the difficulty of adjusting supply to change in demand for agricultural products. There are various factors which are responsible to price variations of agricultural product. Some important factors causing price variations are discussed below:

1.4.1. Inelastic Nature of Demand:

The production of agricultural commodities takes place in a specific period of year but the demand is spread all over the year. In nature the demand of agricultural commodities and mainly food grains demand is less elastic to change in its prices.

1.4.2. Agriculture is a Biological Process:

One important aspect which shows larger instability in agricultural sector than industrial sector is that the industrial sector cannot be affected by indigenous factors as agriculture. Mostly instability in industrial sector is attributed to certain exogenous factors, operating outside the immediate sphere of the industry concerned. But the fluctuations in agricultural prices and production have their own peculiarity. Supply of agricultural products is less sensitive to change in prices.

1.4.3. Domination of Nature:

Agriculture mostly depends on nature which is out of control of human efforts. Schultz has stated that agriculture is the mercy gamble of nature. Droughts and dust storms, floods and frosts are manifestations of the struggle that goes on forming between man and nature.

1.4.4. Seasonal Sale of Agricultural Products:

A well known reason of price variations of agricultural products is a seasonal sale of products. Due to economic difficulties the farmers are compelled to sell their products in harvest period. Such sales of agricultural products by farmers are known as 'distress sales'. This leads to fall in prices of farm products during harvest period. Nearly one-half to three-fourth of the total marketed quantity is sold in four months of harvest period. Therefore the fluctuations in the marketed quantity are proportionately larger than the fluctuations in the production. This is supported by the empirical study conducted by Kamala Devi. In short, seasonality in sale of agricultural products and changes in marketed quantity are the factors which are responsible for occurrence of price variations.

1.4.5. Speculative Demand of Wholesale Traders:

Dandekar explains that the speculative demand from wholesale traders is an effective factor for seasonal price variations of products. The wholesale traders buy the agricultural products from the farmers which arrive on the market and stock it. Further, the stocks are released on retail market to meet the demand of final consumers which is, more or less, steady. Demand for agricultural products from wholesale traders for stocking depends on price expectations. Hence it is speculative in nature.

1.4.6. Vicious Circle between Prices and Sales:

It is an interesting but very serious aspect from the farmer's point of view that there is like running race between price and sales of agricultural products. It means once agricultural prices begin to move downwards, it push sales up and further price falls down. Because due to falling trend of agricultural prices the farmers cannot save much quantity by reducing his production.

1.5. Effects of Price Variations:

Agricultural prices are more sensitive to change in imbalance between supply and demand than the prices of industrial products. As a result, price variation takes place by dimension of time, space and form. There are various effects of the price variations on the national economy, such as effects on economic life of farmers, allocation of resources, production pattern, trade, land distribution, monetary policy, fiscal policy, marketing, standard of living, capital formation, etc.. Some important effects of agricultural price variation are discussed below:

1.5.1. Change in Terms of Trade:

The degree of price variations differ from commodity to commodity which results in change in terms of trade between food grains and cash crops, and between agricultural products and industrial products.

1.5.2. Depress the Incentive of Farmers:

Incentive of farmers to increase production is affected by variation in prices of agricultural products. If the prices of commodities vary irregularly the producers will have very little incentive to get in its production or to expand production where it is already growing.

1.5.3. Effects on farmers Income Level:

A large number of agriculturists in our country fall in the lowest income group and hence they are indebted. Irregular fluctuations in agricultural prices have adverse effects on the income level of these agriculturists. In the harvest period they are forced to sell their product at lower prices. Therefore, their income is kept at a minimum level.

1.5.4. Effects on Small farmers:

Generally the agricultural classes are benefited from the agricultural production. But in case of India where nearly 70 percent of farmers having small and marginal land are not able to consume the benefits of increased agricultural prices because they are compelled to sell their products in harvest season at lower prices.

1.5.5. Black Marketing and Speculation:

Black-marketing and speculation in various sectors of the economy is also an effect of fluctuations in agricultural prices. When the inflationary situation prevails in the market, the speculation and malpractices take place by traders and businessmen due to scarcity of supply and defective marketing control.

1.5.6. Lack of Regional Integration of Agricultural Markets:

Due to irregular fluctuations in prices of agricultural products their price level differs from region to region in the country. It is known as regional price disparity. Sometimes the disparity in prices is greater than the cost of transportation and other handing costs. It reveals the lack of regional integration among agricultural markets.

1.5.7. Effect on Price and Production:

Rise and fall in agricultural production and that in agricultural income (prices) do not synchronise. Agricultural production is a prolonged process. There is no coincidence between change in prices and change in production.

1.5.8. Effect on Government Budget:

Agricultural price variations and mainly food grains price variations have effects on government budget. In developing countries a significant part of budget is devoted to salaries of employees. When food grain prices rise, the government is forced to pay compensatory dearness allowances to its employees. So by reducing investment from productive agricultural sector, government has to divert the amount for payment of higher salaries to employees to maintain their standard of living.

Therefore, this present study is based on review of above literature to study the behavior of arrivals and prices of selected agricultural commodities at Hingoli Regulated market. The study area is a sample Hingoli taluka (block) (Maharashtra State).

Conclusions:

The vital role of agricultural prices is very significant in rural and whole national economy. The prices as well as arrivals variations have serious adverse effects on the economic life of the farmers. Due to highest prices fluctuations, farmers have lost their confidence and loss of incentives to increase agricultural productions. Improvements must be important in the agricultural sector and sound economic position of farmer so that to enhance agricultural production through adoption of new agricultural information technology and to reduce price fluctuations.

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