



Perception of paddy farmers about minimum support price in Karnataka

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ABSTRACT

Paddy is an important staple food crop of southern India. In the recent past, farmers exhibited a transition in cropping pattern from paddy to commercial crops due to non-remunerative and labour intensive nature of the field crop. It is a cause of concern from the viewpoint of food and fodder security. Hence, retention of farmer's interest in continuing paddy cultivation is indispensable. To retain the interest, both the central and state government intervenes in the form of an announcement of minimum support price. Minimum Support Price (MSP) safeguards, encourages and instils confidence among paddy growers. In this context, the present study was taken up to assess the perception of paddy growers about MSP. For the study, four taluks with the highest area under paddy cultivation in the Shivamogga district of Karnataka were selected, and from each taluk, 31 respondents were chosen randomly totalling to 124. The result indicated that majority of the respondents had favorable perception about Risk Mitigation (79.03%), Institutional Frontier (66.94%), Decision Making (68.55%), Procedural Hitches (75.00%) and State Intervention (54.03%). More than half of the respondents have agreed that MSP ensures minimum profit to the farmers (55.65%), MSP will be announced for kharif and rabi season (53.23%) and procurement of the product often gets delayed (54.03%). Majority of the respondents strongly agreed that MSP is announced prior to the sowing season (55.65%) and irregular and untimely payment is the usual practice (50.81). It is interesting to know that 50.83 per cent of the respondents disagreed that MSP comprises of additional benefit from concerned state government. Farmers though knew the MSP, but they could not able to utilize. If we could resolve these shortcomings of the system, it might help farmers in deciding profitable cropping pattern to sustain their livelihood.

Keywords: Minimum support price, perception, paddy

Improving productivity and commercialization of agriculture among marginal and small farmers is widely perceived as a critical approach for rural development, poverty alleviation, and food security (Petcho *et al.*, 2019). The adoption of any technology/enterprise/practice solely depends on its ability to generate incremental income to the farming community. Further, the magnitude of incremental income depends on price realized by farmers due to its adoption. Explicitly, it indicates that price is the decisive factor in commercializing any enterprise/technology/practice. The supply response studies on various agricultural commodities using Nerlovian model demonstrated the pivotal role of price in deciding their supply. Hence, agricultural price policy occupies a predominant position in the agricultural sector's overall development (Deshpande, 2008). Agricultural price policy subsumes announcement of administered prices to retain the interests of various stakeholders such as farmers, consumers and intermediaries. To maintain farmers' interest during price crash as a result of a market glut, minimum support price and market intervention scheme will be implemented. To retain the interest of consumers, ceiling and issue prices will be announced (Parikh and Singh, 2007). The price policy not only focuses on domestic price but also on international prices to make agricultural commodities competitive in the international

arena. The price incentives in support prices helped India attain increased food production during the green revolution period. To channelize food to the vulnerable section of the society at affordable prices through the public distribution system, procurement of food grains at MSP from states having surplus production is essential. The so procured food commodities will also serve as a buffer stock to cushion the shock that arises from unforeseen circumstances to the consuming population. This procurement mechanism from farmers in the areas of surplus production and feeding the same to the consumers in the scanty regions through a network of PDS bridge the demand-supply gap (Jha & Srinivasan, 2006 and Chand, 2008). Before the sowing season, MSP guarantees farmers a fair amount of price for their upcoming crop to encourage higher investment and production of agricultural commodities (Patel and Singh, 2019). Rice is an important staple food crop of southern India. In the recent past, farmers exhibited transition in cropping pattern from paddy to commercial crops, a cause of concern from food and fodder security. Transition is because of non-remunerative nature of the crop. The market price of paddy has failed to keep the rising pace of its cost of cultivation. To retain farmers' interest from the viewpoint of food and fodder security, the perception of farmers about MSP is crucial. Hence, the present study has been undertaken to assess farmers'

perception about government intervention in the form of an announcement of MSP.

More than 80 per cent of farmers in three out of the four villages in the Bellary district and at least 80 per cent of the reported farmers in the Mandya district of Karnataka were aware of MSP. However, the noticeable fact was that none of the farmers in Bellary knew about MSP before the sowing season. In Mandya district only ten per cent of farmers in one of the village knew about its declaration before the sowing season. The remaining farmers in both the districts came to know about MSP only after the sowing season (NITI AAYOG, 2016). Around 32.13 per cent of the farmers received their payment of MSP in terms of cash, 40.29 per cent by cheques and 27.4 per cent through transfer to their bank account. It is surprising to see that 78.00 per cent of the farmers adopted improved farming methods such as high yielding varieties, organic manure, chemical fertilizer, pesticides and improved methods of harvesting *etc.* for increasing the production due to the remunerative price, *i.e.* MSP (NITI AAYOG, 2016). Study on the impact of MSP on area allocation decisions indicated that net income and cost of cultivation are pivotal in a decision-making process. Similarly, relative prices also emerged as a significant factor. However, the expected prices and distance from the market did not have any influence on area allocation (Deshpande, 2008). A study on the farmers' awareness about minimum support price indicates that 23.72 and 20.04 per cent of Indian households are aware of MSP of crops grown by them. Further, 27.83 and 30.48 per cent of reported farmers were unaware of the agency that procures the MSP food grains. In Karnataka, 14.61 per cent and 13.97 per cent of the farmers know about the MSP announced during *kharif* and *rabi*, respectively (Aditya *et al.*, 2017). In case of wheat, much difference was not seen between the rate of growth in MSP (5.13) and cost of production (6.09) indicating that profit margin of farmers remained nearly stable during the study period (2010-11 to 2016-17). The scenario was altogether different in case of paddy wherein cost of production grew at the rate of 10.33 per cent and MSP at 6.54 per cent the study period indicating the drastic reduction in the profit margin (Patel and Singh, 2019).

MATERIALS AND METHODS

The study has been conducted in Shivamogga district of Karnataka state during 2020. From the district, four taluks *viz.*, Soraba, Shikaripura, Sagara and Thirthahalli taluks based on area under paddy cultivation were selected for the study. From among these four taluks, 31 farmers were randomly selected totalling to 124. The primary data encompassing farmers' perception about MSP was elicited from farmers by using a pre-structured interview schedule. The schedule was developed in consultation with experts and pre-tested with farmers in sampled area to check its feasibility and to make

required modifications. The data were analyzed using simple statistical tools like frequencies, percentages, mean, and standard deviation to draw meaningful inferences. The perception of farmers was captured using already developed Likert summated rating scale. A set of perception statements were developed based on the study's requirement, all are considered of approximately equal perception value and to each of which subjects respond with degrees of agreement or disagreement carrying different scores. The scale consists of a five-point continuum with score one for strongly disagree to score five for strongly agree for the positive statement and vice-versa for the negative statements. A set of statements which capturing the perception about MSP were enlisted in consultation with the experts in the discipline of Agricultural Extension and Agricultural Economics. Finally scale consisting of 38 statements, having an equal number of positive and negative statements was considered. The statements were further categorized based on the critical areas like: Risk mitigation, Institutional Frontiers, Decision Making, procedural Hitches and State Interventions. Perception scores of each statement were added to get a total score of an individual. Further, the respondents were classified into three categories; taking mean and standard deviation as a measure of check for all critical area. Results were expressed in frequencies and percentages.

RESULTS AND DISCUSSION

The paddy crop has dominated cropping pattern in Shivamogga district. The transition in cropping pattern from paddy to Arecanut is highly pronounced in the study area. This transition has invariably put food and fodder security under threat. Hence, it becomes imperative to delve into the assessment of farmers' perception about MSP, which has come handy to instil confidence among paddy farmers to continue its cultivation in the transition era. The perception of respondents is classified based on different criteria about MSP.

Table 1 indicates the critical areas perceived by farmers about MSP with respect to Risk mitigation criteria more than half of the farmers, agreed that MSP ensures minimum profit to the farmers (55.65%). MSP protects farmers against steep fall in prices during the glut was strongly agreed by 33.06 per cent of respondents and equal number of respondents agreed (41.13%) for this. It is exciting to know that farmers could not decide about the significant improvement of farmer's income due to MSP (46.77%). Same was the perception in the case for small and marginal farmers; it is better not to go with MSP (48.39%). Nearly one-third of the respondent disagrees that MSP is necessary for the farmers to avoid exploitation by the private traders (34.17%).

Table 1: Perception of farmers towards minimum support price in paddy

Sl. No.	Statement	SA		A		UD		DA		SDA	
		NO.	%	NO.	%	NO.	%	NO.	%	NO.	%
I. Risk mitigation											
1.	MSP ensures minimum profit to the farmers	15	12.10	69	55.65	20	16.13	9	7.50	11	8.87
2	MSP protects farmers against steep fall in farm prices during a glut	41	33.06	51	41.13	10	8.06	10	8.33	12	9.68
3	MSP significantly improves farmers income	8	6.45	17	13.71	58	46.77	30	25.00	11	8.87
4	MSP is profitable only to those farmers who are having a larger area under cultivation	15	12.10	49	39.52	13	10.48	29	24.17	18	14.52
5	For small and marginal farmers, it is better not to go with MSP	11	8.87	25	20.16	60	48.39	17	14.17	11	8.87
6	MSP regulates the price fluctuations in the market	10	8.06	54	43.55	22	17.74	15	12.50	23	18.55
7	MSP is necessary for the farmers to avoid exploitation by the private traders	14	11.29	33	26.61	20	16.13	41	34.17	16	12.90
II. Institutional frontiers											
1	MSP is always lower than the open market price	16	12.90	57	45.97	22	17.74	17	14.17	12	9.68
2	MSP is announced prior to the sowing season	69	55.65	29	23.39	11	8.87	13	10.83	2	1.61
3	MSP is fixed considering the cost of production of that particular crop	19	15.32	64	51.61	13	10.48	19	15.83	9	7.26
4	MSP is a guaranteed price for the farmers' produce from the Government	38	30.65	56	45.16	7	5.65	15	12.50	8	6.45
5	MSP is announced for notified commodities	12	9.68	24	19.35	51	41.13	19	15.83	18	14.52
6	MSP will be announced for Kharif and Rabi seasons	10	8.06	66	53.23	20	16.13	17	14.17	11	8.87
7	MSP will vary every year on account of the cost of production	25	20.16	21	16.94	14	11.29	47	39.17	17	13.71
III. Decision making											
1	MSP influences the cropping pattern of the farmer	47	37.90	47	37.90	12	9.68	15	12.50	3	2.42
2	MSP influences the decision making of farmer regarding area, inputs etc.	28	22.58	58	46.77	15	12.10	18	15.00	5	4.03
3	MSP ensures the adoption of new technologies	3	2.42	55	44.35	17	13.71	27	22.50	22	17.74
4	MSP increases productivity with improved technologies	3	2.42	31	25.00	55	44.35	17	14.17	18	14.52
	Delay in payment troubles the farmers to carry out further crop cultivation	25	20.16	61	49.19	16	12.90	11	9.17	11	8.87

Contd.

Table 1 Contd.

Sl. No.	Statement	SA		A		UD		DA		SDA	
		NO.	%	NO.	%	NO.	%	NO.	%	NO.	%
IV Procedural hitches											
1	Procedural formalities to avail benefit of MSP are lengthy and tiresome	26	20.97	62	50.00	10	8.06	13	10.83	13	10.48
2	Irregular and untimely payment is the usual practice	63	50.81	28	22.58	14	11.29	9	7.50	10	8.06
3	Procurement of the product often gets delayed	17	13.71	67	54.03	14	11.29	15	12.50	11	8.87
4	There is no transparency in the system	14	11.29	54	43.55	25	20.16	15	12.50	16	12.90
5	Lack of procurement centres and poor condition of the godowns leads to wastage	23	18.55	60	48.39	7	5.65	18	15.00	16	12.90
6	MSP based payment to farmers will not relieve them from financial obligations	11	8.87	21	16.94	67	54.03	14	11.67	11	8.87
7	MSP underscores the rising farming costs	22	17.74	19	15.32	18	14.52	41	34.17	24	19.35
8	MSP rates are usually announced at the time when the farmers have already initiated the necessary preparation for sowing a particular crop	14	11.29	28	22.58	10	8.06	54	45.00	18	14.52
9	Improper payment and procurement will have a negative repercussion on farming	25	20.16	46	37.10	20	16.13	16	13.33	17	13.71
10	MSP will not be announced for fruits, vegetables and horticultural crops	4	3.23	24	19.35	20	16.13	50	41.67	30	24.19
11	Improper procurement due to untrained staff and inadequate infrastructure detracts farmers' inclination in availing benefits of MSP	3	2.42	48	38.71	24	19.35	27	22.50	22	17.74
12	Procurement process functions for a limited period	56	45.16	23	18.55	12	9.68	19	15.83	14	11.29
13	MSP will be announced for pre-defined varieties which will not benefit all the farmers	25	20.16	17	13.71	21	16.94	41	34.17	20	16.13
V. State intervention											
1	Different agencies owned by govt. will be held responsible for the procurement of farm produce at MSP	14	11.29	15	12.10	55	44.35	22	18.33	18	14.52
2	Govt. imposes a restriction on the quantity to be procured due to lack of storage infrastructure	48	38.71	4	3.23	19	15.32	20	16.67	33	26.61
3	FCI, CWC, SWC are the agencies responsible for procurement	24	19.35	26	20.97	43	34.68	16	13.33	15	12.10
4	MSP comprises of additional benefit from concerned state government	11	8.87	17	13.71	18	14.52	61	50.83	17	13.71

The result in Fig. 1 indicates with respect to that more than 3/4th of the farmers had favourable (79.03%) perception towards MSP with respect to risk mitigation followed by least (12.10%) and most favourable (8.87%). MSP is regarded as guaranteed price relieving farmer from the severe price crash during market glut. It could be considered as price stabilization strategy. It protects the farmers with a minimum profit irrespective of their holding.

When we look at the perception of the farmers concerning institutional frontiers, majority of the respondents had favourable (66.94%) perception followed by most favourable (21.77%) and least favourable (11.29%) perception towards MSP in Paddy (Table 3).

The findings in Table 1 indicated that more than half of the respondents agreed that MSP is fixed considering the cost of producing the particular crop (51.61%) it will be announced for *kharif* and *rabi* season (53.23%). MSP is announced prior to the sowing season was strongly agreed by 69 respondents out of 124. In the case of commodities covered under MSP, 41.13 per cent of the farmers could not decide about their perception. Nearly forty percent of the respondents disagreed that MSP will vary every year on account of production cost (39.17%). These responses reflect the institutional frontier of MSP system. Mass media participation, better extension contact and cosmopolitness of the farmers might influence the perception of farmers.

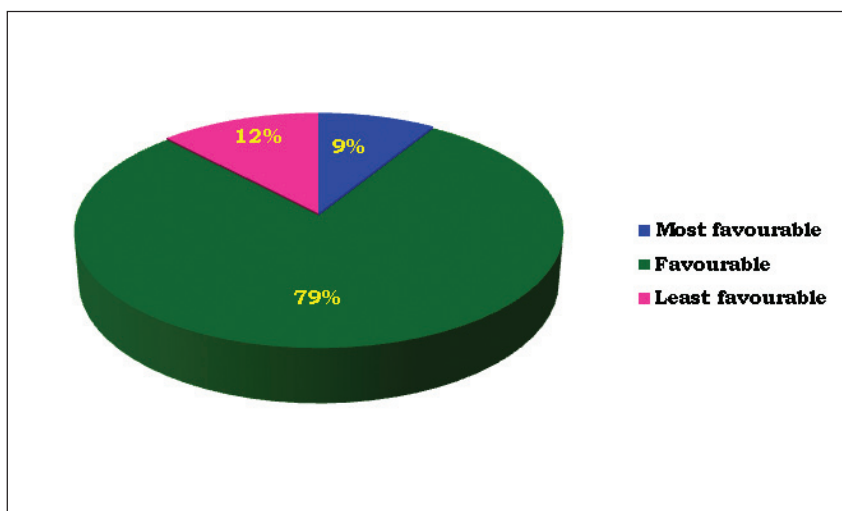


Fig. 2: Overall perception of the farmers about risk mitigation through MSP in paddy

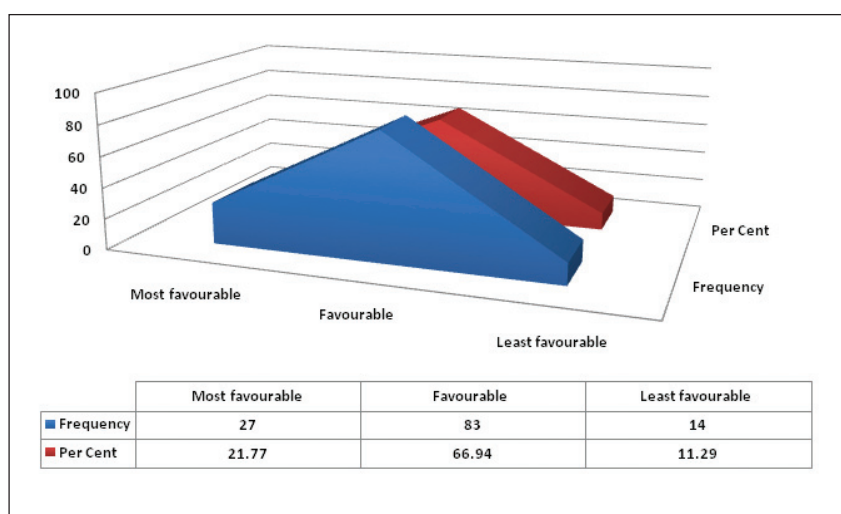


Fig. 2: Overall perception of the farmers about Institutional Frontiers through MSP in paddy

Perception of paddy farmers about minimum support

MSP had influenced the decision-making process of farmers about the cultivation of crops (Table 1). Nearly half of the respondents agreed that delay in payment troubles the farmers to carry out further crop cultivation (49.19%). MSP influences the decision making of farmers regarding the area, inputs

etc.(46.77%)and MSP ensures adoption of new technologies (44.35%). An equal number of farmers (37.90%) had agreed that MSP influences the farmers' cropping pattern. Around 44.35 per cent paddy farmers were not able to decide that MSP increases productivity with improved technologies.

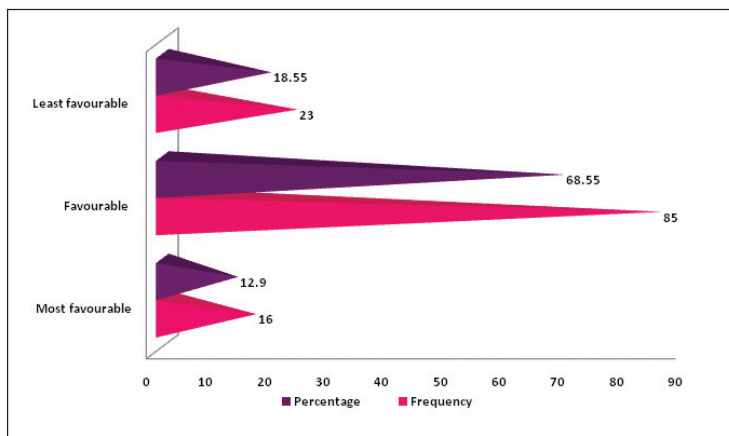


Fig. 3: Overall perception of the farmers about decision making through MSP in paddy

The result depicted inTable-4 indicates that 68.55 percent of the respondents had a favourable perception about MSP's influence on decision-making followed by least (18.55%) and most favourable (12.90%) perception by paddy farmers.

Around half of the respondents agreed that procedural formalities involved in availing benefit of MSP are lengthy and tiresome (50.00%), delay in procurement (54.03%)and lack of procurement centers and wastage due to poor condition of the godown (48.39%). About procedural hitches (Table 3) in availing MSP in Paddy, 50.81 per cent of the respondent strongly agreed that irregular and untimely payment as the usual practice. More than half of the respondents remained undecided about the fact that relieves them from

financial obligations (54.03%). More than 40.00 per cent of the paddy farmers disagreed that MSP rates are usually announced at the time when the farmers have already initiated the necessary preparations for sowing a particular crop (45.00%), followed by 41.67 per cent disagreed that MSP will not be announced for fruits, vegetables and horticultural crops. The result indicates that even though MSP helped farmers to get minimum profit due to procedural hitches like untimely payment and formalities to filled to avail, MSP was too complicated. Many times end-users could not get the benefit as the announcement not matching with cropping chart might have influenced them to have their perception.

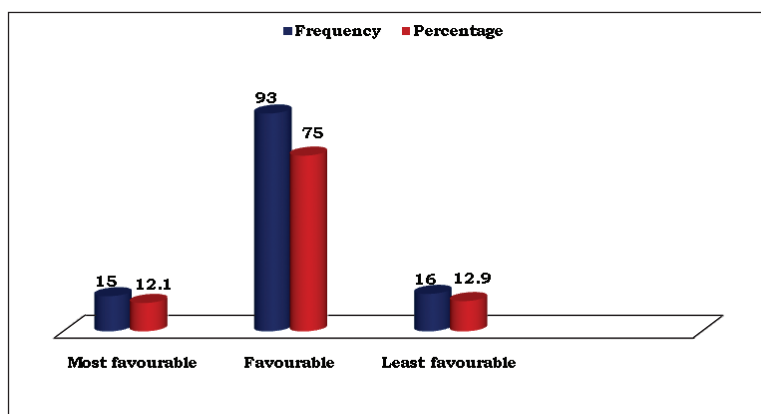


Fig. 4: Overall perception of the farmers about Procedural Hitches through MSP in paddy

It is enthralling to observe overall perception about procedural hitches (Table 5) $\frac{3}{4}$ th of the paddy farmers had favourable (75.00%) perception followed by less favourable (12.90%) and nearly equal number of respondents had most favourable (12.10%) perception.

If we look at the perception about state intervention, nearly half of the paddy farmers disagree that MSP comprises additional benefit from state government (50.83%). Respondents were not decisive about different agencies owned by government in procurement of farm produce at MSP (44.35%). It is fascinating to know that

38.71 per cent of farmers strongly agree for the government imposition of restriction on the quantity to be procured due to lack of storage infrastructure. This result shows that farmers lack knowledge and awareness about the state intervention about implementing MSP for paddy.

A looking at the farmers' overall perception, 54.03% of the paddy growers had a favourable perception about state interventions followed by most favourable (23.39%) and least favourable (22.58%) perception.

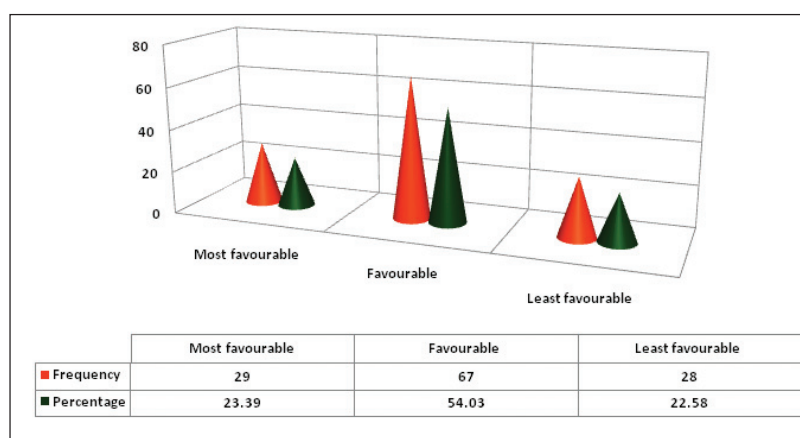


Fig. 5: Overall perception of the farmers about State Interventions through MSP in paddy

Though farmers are aware of MSP but they lack complete knowledge about it. There is a need to conduct training programmes, provide extension literature to impart complete information about the system. In addition there is a need to consider the farmers' needs and requirements to overcome the constraints in availing its full benefit.

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