



Research Paper

## Economic analysis of input and output prices of cereal crops in western Maharashtra

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**ABSTRACT :** The objectives of the study were to examine the changes in input-output prices of selected crops (jowar and wheat) and to evaluate the parity between the costs, prices and income from these crops. The present investigation was based on the secondary data collected in "The scheme for creating permanent machinery for studying the cost of cultivation of principal crops in Maharashtra state" sponsored by the Government of Maharashtra. The data pertained to the 18 years *i.e.* from 1991-91 to 2008-09 and were considered for the said study. The results indicated that the indices at current and constant prices of major input for selected crops showed tremendous increase during the period under consideration. The indices of cost of production and minimum support prices of major cereals were observed to be more than 100 with few exceptions at current and constant prices during the study period. The parity indices between FHP of cereals and input prices were not favourable because market prices of jowar and wheat were not sufficient to cover the increased prices of inputs. The parity indices of gross income to per quintal cost of production of jowar and wheat affected the profitability adversely. Compound growth rates (CGR) of input prices were more than double to the prices of output at MSP and FHP, except at MSP for wheat. The price-cost ratios of cereals were less than unity, indicating that output prices were not covering the costs. Thus, the increase in MSP, FHP and thereby income of the crop was not sufficient to cover the cost of cultivation of all cereals.

**KEY WORDS :** Economic analysis, Cost of production of Cereals, Price of agricultural inputs

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### INTRODUCTION

Agriculture is the most important sector of Indian economy. Agriculture sector employs more than 58 per cent of population and contribute 14.3 per cent of GDP in economy during the 2010-11. The share of agriculture in the total export accounts for 9.9 per cent for the year 2010-11 (Economic Survey of India, 2012). During the year 1950-51, the food grain production was 50 million tonnes and now it has reached to 254.70 million tonnes in the year 2010-11. After introduction of green revolution, the production performance during mid sixties has been increased tremendously. The use of high yielding varieties, fertilizers, irrigation and new technology has resulted in increased production. This is major achievement for self-sufficiency of foodgrains.

The key issue of this sector in the Maharashtra state is low productivity in foodgrains as compared to national and

interstate productivity. During 2009-10, the average yield per hectare of foodgrains of the state was 1,074 kg., which was far below the national average of 1,798 kg. Limited availability of agricultural land, quality of land and rainfed agriculture have restricted the scope for increase in agricultural production

There has been a lot of controversy about the costs and prices of agricultural commodities. Doubts have been expressed that the prices of agricultural commodities fixed by the Government are not in harmony with increase in the cost of production, which has been rising at a very high rate due to increase in the inputs prices. Among the different crops, the major producing states have often accused the price policy in favour of their major produced crops. The producers have always been alleging that the increase in the prices of their produce were not in proportion to increase in the input prices. A sound price policy is one that ensures remunerative prices to the producers and also reasonable prices to the consumers